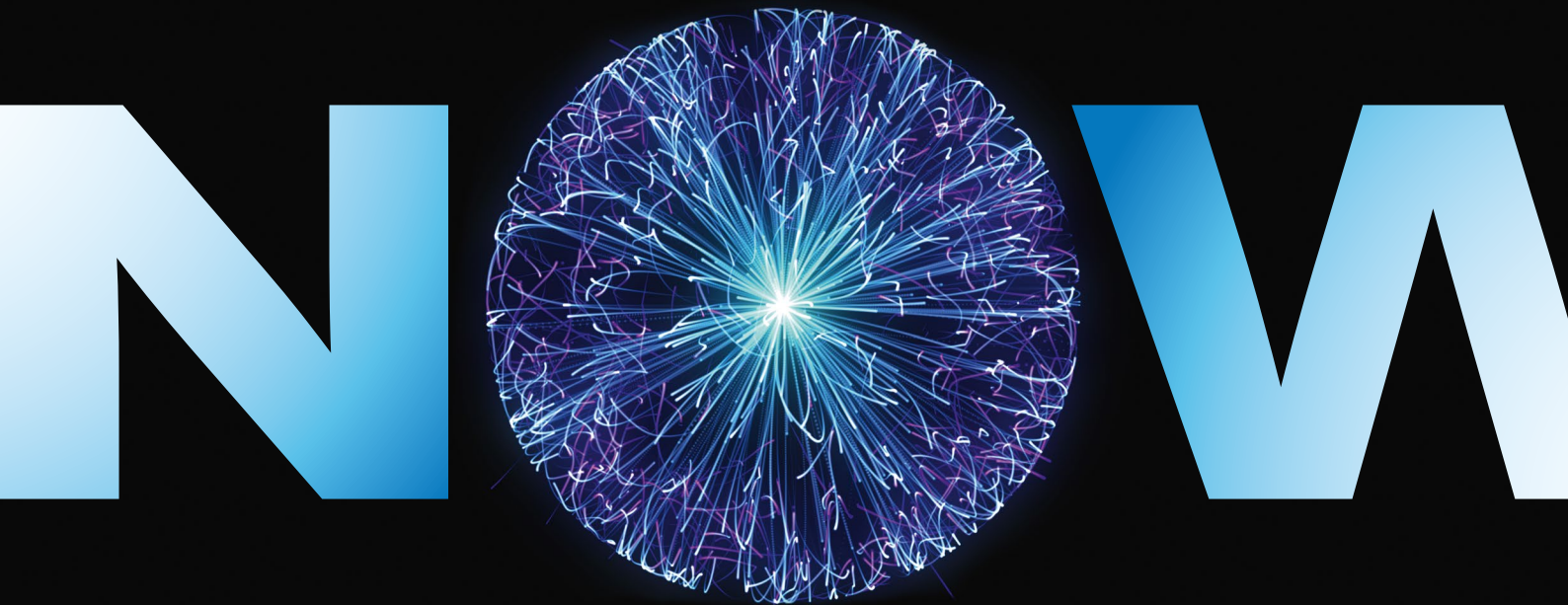




**It's happening**



**Our mission**

**By winning**

**NOW**

**we can win the decade**

...through building a unified, purely digital advertising and marketing services business, which disrupts analogue models by embracing content, data&digital media and technology services in an always-on 24-7 environment, for global, multinational, regional and local clients and for millennial-driven influencer brands.



[www.s4capital.com/annualreport22](http://www.s4capital.com/annualreport22)

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## Financial highlights

---

### Billings<sup>1</sup>

**£1.9bn**

**+45.8%**

Like-for-like<sup>2</sup> +23.5%

---

### Pro-forma<sup>3</sup> billings

**£1.9bn**

**+24.3%**

---

### Revenue

**£1,069.5m**

**+55.8%**

Like-for-like +24.3%

---

### Pro-forma revenue

**£1,108.7m**

**+25.8%**

---

### Net revenue

**£891.7m**

**+59.1%**

Like-for-like +25.9%

---

### Pro-forma net revenue

**£924.1m**

**+27.1%**

---

### Operational EBITDA<sup>4</sup>

**£124.2m**

**+23.0%**

Like-for-like -16.4%

---

### Pro-forma operational EBITDA

**£136.3m**

**-11.8%**

---

### Operational EBITDA margin<sup>5</sup>

**13.9%**

**-410bps**

Like-for-like -710bps

---

### Pro-forma operational EBITDA margin

**14.7%**

**-650bps**

---

### Operating loss

**-£135.3m**

2021 -£42.1m

---

### Adjusted operating profit<sup>6</sup>

**£114.1m**

**+20.4%**

Like-for-like -19.5%



Loss before income tax

**-£159.7m**

2021 -£55.7m

Adjusted result before income tax<sup>7</sup>

**£89.7m**

+10.5%

Basic loss per share

**-27.0p**

2021 -10.3p

Adjusted basic earnings per share

**11.8p**

2021 13.0p

Market capitalisation at 12 April 2023

**£911m**

Share price at 12 April 2023

**158.6p**

For full reconciliation from statutory to non-GAAP measures, please refer to the Alternative Performance Measures Appendix on page 201.

**Notes:**

1. Billings is gross billings to clients including pass-through costs.
2. Like-for-like relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022 applying currency rates as used in 2022.
3. Pro-forma numbers relate to unaudited full-year non-statutory and non-GAAP consolidated results in constant currency as if the S<sup>4</sup>Capital plc Group (the Group) had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.
4. Operational EBITDA is EBITDA adjusted for acquisition related expenses, non-recurring items (primarily acquisition payments tied to continued employment, restructuring costs and amortisation of business combination intangible assets) and recurring share-based payments, and includes right-of-use assets depreciation. It is a non-GAAP measure management uses to assess the underlying business performance.
5. Operational EBITDA margin is operational EBITDA as a percentage of net revenue.
6. Adjusted operating profit is operating profit/loss adjusted for non-recurring items (as defined above) and recurring share-based payments.
7. Adjusted result before income tax is profit/loss before income tax adjusted for non-recurring items (as defined above) and recurring share-based payment.

## Business model

S<sup>4</sup>Capital is a new-age/new-era digital advertising, marketing and technology services company, operating in the fastest-growing segment of the advertising and marketing services market.

### We are NOW.

We shift industries forward by flexing and reshaping how businesses interact with people against the needs of a constantly evolving world.

What we do today, this minute, this NOW, is what moves us forward; our cultures, our work, our industries, our worlds.

While everyone talks about the future, we make the future happen **NOW**.

People

8,900

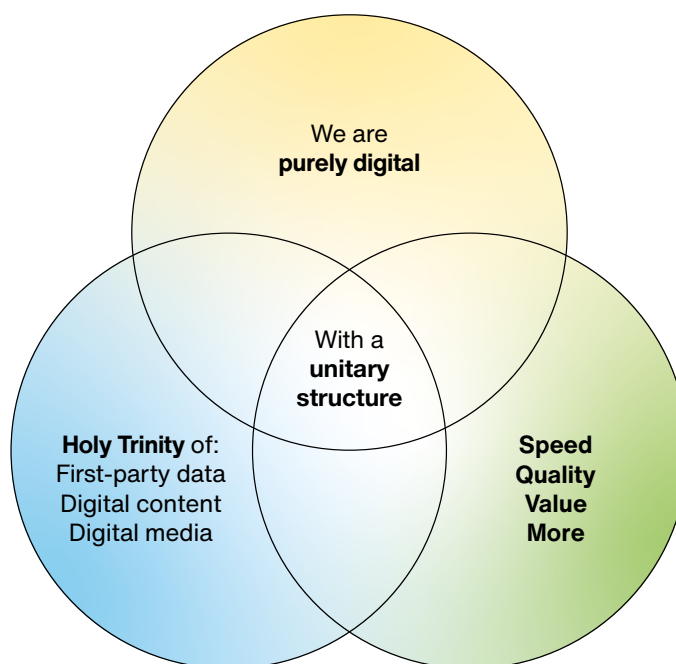
Countries

32

Unitary structure

1

### Our four core principles



#### We are purely digital

Digital is by far the fastest-growing segment of the advertising and marketing services market.

#### Holy Trinity of First-party data, Digital content, Digital media

Personalised content automatically served to consumers based on their digital activity.

#### Speed, Quality, Value, More

Or Faster, Better, Cheaper, More. Faster means more agility; Better means best use of technology such as artificial intelligence (AI) and virtual reality (VR); Cheaper means more efficient. More means change driven by AI.

#### With a unitary structure

Our unitary structure with a single P&L gives our people a sense of common values, shared goals and collaborative spirit.

#### Underpinned by:

Our people

Read more on pages 57–61

A commitment to ESG

Read more on pages 37–64

Financial performance

Read more on pages 17–23

Risk management

Read more on pages 24–28

## Strengths and differentiators



### Our people

Our executive management team combines senior industry expertise with successful entrepreneurs to create a growth-focused culture among our 8,900 talented professionals.

We celebrate diversity and recognise the importance of attracting, retaining and developing the best talent in the market at all levels of the Company.



### Our clients

We work for global, multinational, regional and local clients. We build scaled relationships with our clients, becoming partners they rely on for their marketing, technology and growth needs.

Almost half of our revenue is from clients in the Technology sector which provide us with exciting growth and partner opportunities. We have a stated objective to develop 20 scaled clients of \$20 million or more in revenue ('whoppers').



### Speed

Agility is at the heart of our offer to clients. We leverage technology and our unitary approach to respond to client requirements quickly and efficiently.



### Quality

Our ambition is to be the best quality partner to the world's leading technology companies.

With our unique understanding of their products we can provide services built around their technology.



### More

Our purely digital offering means we are swiftly capitalising on the arrival and benefits of AI.

## Our operating model



### Value

With our focus on digital marketing and technology, we provide a strong value proposition to clients who are looking to get the best possible return on their investment.

Our data-driven approach coupled with our speed to market and measurement capabilities mean clients receive more effective and reliable results.



### Geography

Our presence in 32 countries enables us to provide global coverage and local insight.



### Single P&L

Unlike traditional agency holding companies, we have a single P&L, aligned around the Media.Monks brand. This allows us to provide an integrated service to clients, broader career paths for our people and a more profitable model for investors.



### Addressable markets

We focus on large high-growth market opportunities including the digital marketing, media and transformation markets. These are all expanding multi-billion dollar markets, which allows us to focus on growth without the distraction of providing services in declining traditional markets.



### How we do it

#### People

8,900 talented professionals

#### Practices

Content, Data&Digital Media, Technology Services

#### Principles

Speed, Quality, Value, More: in a unitary structure



In a world where experience and engagement are being driven by increasingly rapid cycles of disruption, we asked some of our Monks to tell us where the action is.

# What's happening,

# Now



## AI

**Michael Dobell**  
Chief Innovation Officer



### We love a good disruption

There are massive implementation opportunities. Customer expectations for personalisation will fundamentally bend towards empathetic content. Brands will need to deliver exponentially more content driven by more data points, and will be able to make sense of it like never before. All this means more conversion and more precision and we are designing the AI engines that power our brands through this change from owned AI to the workflows that generate high quality content while mitigating risks. Brands need a partner who can provide guidance on the opportunities, and we're also doing that right now for our people.





## Social

**Bruno Lambertini**  
CEO, Circus.Monks

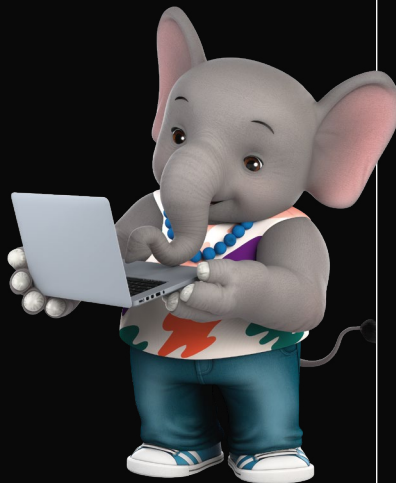


### Three big things – and how we're responding

1. Audiences are moving away from content sharing and a meeting point to a place where they can broadcast, where they can be entertained. Where there is a marketplace for them.
2. The emergence of new decentralised platforms is creating a bigger fragmentation of audiences into smaller and niche communities.
3. And CEOs and CMOs are asking: how can I translate and transform my business into a social-first organisation?

Our answer: to turn everything we touch into social, by deciphering social signals, crafting social dynamics and enabling social conversion to impact our clients' top and bottom line.

**“ New decentralised platforms are creating a bigger fragmentation of audiences into smaller and niche communities”**



## Our partners

**Scott Jamieson**  
VP, Global CRM practice



### Making transformation happen

Improving use of tools, technology and experimenting with new marketing strategies are at the top of our clients' priority list. As a Salesforce Summit partner, we're able to work with our clients to make sure they're getting the most out of their marketing technology investment through new implementations and integrations, as well as optimising their existing martech stack. We then plug into the rest of the media market API to act as an agency of record across CRM by supporting strategy, creative production and deployment of campaigns that transform our clients' customer experience.



Salesforce's marketing characters, including Einstein the data scientist and Ruth the architect, offer customers guidance, support and inspiration to help them get the best out of technology.



As part of two years' experimentation and neural network training, the team at Labs.Monks built a series of machine learning-enhanced music video animations that demonstrate true creative symbiosis between humans and machines, in which a 3D human figure performs a dance developed entirely by (or in collaboration with) artificial intelligence.



Watch the full stories at  
[www.s4capital.com/annualreport22](http://www.s4capital.com/annualreport22)



## What's happening, now continued

### Culture

**Ryan Ford**

President and Chief Creative Officer, Cashmere.Monks



#### Making deeper, authentic connections

The tumultuous challenges that we have had as a society, as a culture over the last couple of years are really just coming to a head right now. What started off as an economic anxiety very quickly turned into an existential anxiety. Who am I as a person? Who am I to my coworkers? Who am I to my family? Who am I to my community? And what we realised, along with what many corporations, companies and entities are realising, is that we simply weren't doing enough to tackle the challenges of a changing and more diverse marketplace. We want to make sure that we are creating marketing assets and manifestations that connect on a very specific level to the consumer, where we can build deeper connections with communities that for so long have not been spoken to or collaborated with. This is not simply a multicultural idea. It's not simply an Asian-American or an African-American or Hispanic idea. This is about talking to specific communities with deep, authentic conversations that resonate far beyond simply those communities.

“ This is about talking to specific communities with deep, authentic conversations that resonate far beyond simply those communities”

### Our clients

**Amy Michael**

Chief Client Officer



#### Bottom line, clients need one global agency team

The industry's decade-long move to digital has increased marketers' ability to capture data, manage campaigns and use technology to maximize performance. Marketers can look more holistically across the consumer journey, leverage core assets more efficiently, and create the need for single points of truth in data management and analysis. Now, clients want agencies that are multifaceted, providing a mix of generalists and specialists to deliver strategy through execution. And who understand how this will all help drive operational efficiencies.

### Data

**Tyler Pietz**

EVP, Global Head of Data



#### Getting up close and personal with customers

Consumer-facing companies that have historically had arm's length relationships with their end customer are now becoming much more aggressive and disintermediating some of their retail and media partners in order to communicate and transact directly with consumers. One of the innovations that's actually making this possible is the proliferation of artificial intelligence, and specifically products like Chat GPT that allow for those communications to exist on a scale that was previously unprecedented.





## China

**Rogier Bikker**  
Managing Director, Media.Monks China



### China is back in business

Chinese consumers are ready to spend, travel and splurge. And we're helping our clients grab these opportunities right now. We're working with brands across auto, luxury fashion, retail and technology to create world-class digital experiences that impress the most discerning audience in the world, Chinese consumers. We recently worked with Chinese electric vehicle brand JIDU to create the world's smartest showroom in Beijing, where every interaction is digitally enabled, connected and immersive to drive direct business impact.

## THE CLIMATE PLEDGE



## Sustainability

**Regina Romeijn**  
Global Head of ESG



### Keep on keepin' on

It takes resilience to continue the sustainability agenda, as it's often eclipsed when we experience an inflationary environment or economic uncertainty. But we do see initiatives and tools entering the industry that can create more sustainable solutions. In our client work, we're using these tools to work on solutions to reduce data storage, measure the impact of digital products, and understand how we can measure DE&I or social impact. It is all first-step innovation, but it answers to the need of our planet to make a change now.

## Digital transformation

**Brady Brim-DeForest**  
CEO, TheoremOne



### To survive, take five

To prepare your organisation for digital transformation in 2023:

1. Use data analytics to understand customer needs, behaviour and preferences.
2. Invest in tools and flexible work policies that keep your team connected.
3. Harness the power of AI to automate processes and deliver personalised experiences for your consumers and your staff.
4. Help your team stay updated on emerging technologies and trends.
5. Invest in training programmes to equip your team with the digital skills needed to succeed in this digital age.



Watch the full stories at  
[www.s4capital.com/annualreport22](http://www.s4capital.com/annualreport22)

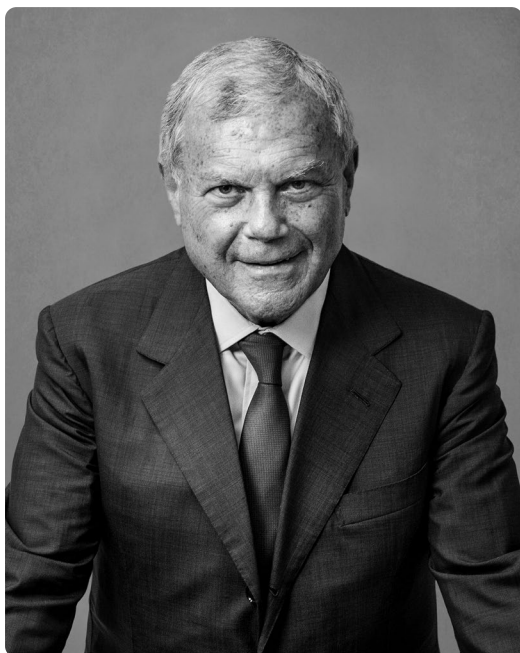


# Agents of



We catalyse industries  
by innovating, flexing and  
re-inventing how businesses  
interact with the world, now.

## Letter to shareowners



**“ The much improved second half performance reflected the expected market leading net revenue growth, tighter cost management and better cash generation, underpinned by enhanced commercial discipline”**

**Sir Martin Sorrell**  
Executive Chairman

### Dear shareowner

2022 was good in parts, with continued strong, client conversion and top-line like-for-like growth offset by weaker than expected operational EBITDA margins. We ended the year with good momentum with the second half delivering three times the operational EBITDA of the first half. The much improved second half performance reflected the expected market leading net revenue growth, tighter cost management and better cash generation, underpinned by enhanced commercial discipline and financial processes. These will remain the core focus.

2022 was our fourth full financial year with revenue of over £1 billion for the first time. Net revenue of nearly £900 million was up 26% on a like-for-like basis ahead of our 2022 target of 25%.

The growth rate achieved was well ahead of those generated by our two main addressable markets – digital media and transformation. Operational EBITDA of £124.2 million was also slightly ahead of the revised guidance of £120 million. We delivered an overall operational EBITDA margin of 13.9%, with a H2 margin of 18.2%. We are encouraged by the improved profitability in the second half, which represented around 75% of the full year operational EBITDA.

The Company has a strong balance sheet with net debt ending lower than we had anticipated at £110 million or 0.8x pro-forma operational EBITDA. The net debt outperformance is due to better working capital management and reflects our strengthened financial discipline around billings and receivables.

We made two important, large, combinations with TheoremOne and XX Artists, both of which performed well in their first year with the Company. We also merged with a smaller firm, 4 Mile Analytics, built around Google's Looker platform, that has disappointed and accordingly we have written down the goodwill and the majority of the assets and executed a reorganisation plan.

In 2023 there will be a cash outflow relating to 2022 and prior year combinations, with net debt expected to rise as a result. We will maintain a conservatively levered balance sheet and the focus for the time being will be on maximising value from our existing businesses.

Both digital media and transformation growth remain well above those of traditional, analogue markets. We are mainly focused on the digital media and transformation markets and are at the heart of developing trends around Blockchain, the Metaverse and AI. We are already starting to use Artificial Generative Intelligence in improving copywriting ►



## Letter to shareowners continued

productivity, in delivering more empathetic hyper-personalisation (better targeted content at greater scale), more automated media planning and buying and ensuring our people have access to what we term AI's 'superpowers'. We do, however, expect our markets and clients to grow more slowly in 2023, reflecting the weaker global economic conditions which have been impacted by inflation and higher interest rates, and general geopolitical uncertainty around US/China relations, the war in Ukraine and relations with Iran.

The Company reports in three well-defined practices: Content, Data&Digital Media and Technology Services. Content, which had a challenging first half, had much improved operational EBITDA delivery in the second half, with net revenue growth converting to the bottom line reflecting a more tightly managed cost base. Data&Digital Media saw operational EBITDA reduce significantly in 2022 against a strong comparative in 2021. Net revenue growth, although good, was lower than expected in the second half and costs ran ahead of growth. Corrective actions are being taken. In Technology Services, both Zemoga and TheoremOne performed strongly in the year.

As expected and reflecting the need to improve the Company's financial management, central costs grew significantly in 2022 with investment in people and processes to strengthen finance, legal, governance and assurance.

### Board updates

In 2022 the Company strengthened its Board with a number of senior appointments.

In January 2022 we were pleased to welcome Mary Basterfield as our new Group Chief Financial Officer and Executive Director. Mary has over 20 years of extensive financial experience and, since joining, Mary has appointed several experienced finance professionals within the Group and practice finance teams. The team has made significant progress in the year allowing the Group to deliver its full year 2022 results in a timely manner.

In August 2022, Colin Day was appointed to S4Capital's Board as a Non-Executive Director and the new Chair of the Audit and Risk Committee. Colin has decades of experience in both management and governance roles.

In addition, Christopher S. Martin, one of the founders of MightyHive Inc., has been appointed Chief Operating Officer, to scale the Company's organisational structure and processes.

We now have a Board of 15 Directors, nine Non-Executive Directors, of which four are women and five are men, and six Executive Directors.

### Environmental, Social and Governance (ESG) strategy

2022 was a year of action, concentrated around the three areas of our ESG strategy: Zero Impact Workspaces; Sustainable Work; and Diversity, Equity and Inclusion (DE&I).

We are adopting new tools to help us move towards increased transparency and measuring of CO<sub>2</sub> emissions. We continue to engage with leading stakeholders, industry efforts and global initiatives – like the World Economic Forum and Shanghai Municipality's International Business Leaders' Advisory Council (IBLAC). After signing The Climate Pledge in 2021 with a goal to reach net zero by 2040, we took full inventory of our emissions, using the Greenhouse Gas (GHG) Protocol standards to understand the reduction opportunities within the Company. We submitted our SBTi letter of commitment and are developing a detailed roadmap in 2023.

Across the Group, we donated 4,090 hours for community and charity services and increased our For Good projects from 251 to 445.

We focused on our people and people experience with the launch of our DE&I platform, Diversity in Action, which touches all aspects of our business.



**“ We are mainly focused on the digital media and transformation markets and are at the heart of these developing trends”**

Embedding a greater understanding of diversity and cultural fluency into the Group is also a top priority. We signed the United Nations (UN) Women’s Empowerment Principles and continue to focus on closing the representation gap in our industry by providing training to underserved and/or underrepresented talent.

We also enhanced our ESG governance structure, updated our global policies and compliance, completed our Task Force on Climate-related Financial Disclosures (TCFD) risk assessment and entered our ESG data into the CDP global disclosure system for the first time.

You can read more about our ESG performance and activities on pages 37-64.

### **Summary and outlook**

The strategy of S<sup>4</sup>Capital remains the same. The Company’s purely digital transformation model, based on first-party data fuelling the creation, production and distribution of digital advertising content, distributed by digital media and built on technology platforms to ensure success and efficiency, resonates with clients. Our tagline ‘faster, better, cheaper, more’, or ‘speed, quality, value’ (to which with the arrival of AI we have added ‘more’) and a unitary structure both appeal strongly, even more so in challenging economic times.

For 2023 we target our net revenue growth rate to reflect those of the two main addressable digital markets we serve. We estimate this as around 8-12% like-for-like, after reflecting the pro-forma impact of one ‘whopper’ reduction on net revenue. We will continue to manage costs tightly and target an operational EBITDA margin of 15-16%. As in previous years, given our seasonality, 2023 will again be second half weighted. Longer term, we continue to be able to deliver strong net revenue growth with operational EBITDA margins returning to historic levels.

### **Agents of now**








In 2022 we cemented our offer in the digital marketplace with a new proposition: ‘NOW’. The industry has become so fixated on ‘what’s next’ that it’s easy to forget where our clients’ priorities are. Rather than a five-year plan, they need results, solutions and relevance right now. Change is happening rapidly every day and we need to acknowledge that by constantly re-inventing ourselves and becoming the change makers. That’s how industries move forwards, and that’s the measure by which we should judge ourselves. ■

*Martin Sorrell*

**Sir Martin Sorrell**  
Executive Chairman

## Progress against our strategy

The strategy of S4Capital remains the same. The Company's purely digital model is based on first-party data fuelling the creation, production and distribution of digital advertising content and distributed by digital media combined with technology services. This continues to resonate with our clients.

Strategic pillar	Objective	2022 progress
 <b>Clients</b>	<ul style="list-style-type: none"> <li>Build scaled relationships with clients. 20x20 goal – 20 clients with \$20 million annual revenues</li> <li>Focus on Technology clients</li> </ul>	<ul style="list-style-type: none"> <li>10 'whopper' clients achieved</li> <li>Next 14 'whoppers' identified</li> <li>46% revenue from Technology clients</li> </ul>
 <b>People</b>	<ul style="list-style-type: none"> <li>Attract, retain and develop the best talent in the industry</li> </ul>	<ul style="list-style-type: none"> <li>Chief People Officer (CPO) appointed</li> <li>Launched global diversity programme</li> <li>People experience and global communications launched</li> <li>Obsidian Black Leadership Program</li> <li>Global Monk action committees on mental health and equity for women</li> <li>Global hiring approval process to align cost and growth</li> </ul>
 <b>Culture</b>	<ul style="list-style-type: none"> <li>Build a diverse culture and increase diverse representation</li> </ul>	<ul style="list-style-type: none"> <li>Expanded S4 Fellowship with F2</li> <li>6% Black in the US</li> <li>Black History Month, Hispanic Heritage Month and Obsidian Black Leadership Program</li> <li>Second cohort of S4 Women in Leadership</li> </ul>
 <b>Sustainability</b>	<ul style="list-style-type: none"> <li>Carbon neutral by 2024 and our promise to be net zero in 2040 (The Climate Pledge)</li> </ul>	<ul style="list-style-type: none"> <li>Carbon neutral through offsetting</li> <li>B Corp progress</li> <li>Emission reduction roadmap</li> <li>CDP submitted, B-score</li> <li>TCFD Report created</li> <li>SBTi analysis/formal commitment letter</li> <li>ESG governance set up</li> <li>ESG Report</li> <li>ESG-related policies</li> </ul>
 <b>Integration</b>	<ul style="list-style-type: none"> <li>Unitary structure</li> </ul>	<ul style="list-style-type: none"> <li>Integrated combinations further</li> <li>Further developed Media.Monks brand</li> <li>Centralised legal function</li> <li>Centralised people function</li> <li>Established formal Executive Leadership Team</li> </ul>
 <b>Revenue growth</b>	<ul style="list-style-type: none"> <li>Outpace the growth of the addressable digital markets</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 26% like-for-like net revenue growth</li> <li>Addressable markets will grow at 7-8% in 2023</li> </ul>
 <b>Margin</b>	<ul style="list-style-type: none"> <li>Improve margin, long-term target of 20-22% operational EBITDA margin</li> </ul>	<ul style="list-style-type: none"> <li>Did not achieve targets</li> <li>Implemented tight controls over investment in people and discretionary costs to better balance the P&amp;L</li> </ul>

2023 goals	Measurement
<ul style="list-style-type: none"> <li>• Further penetration of existing 'whoppers'</li> <li>• Develop more 'whoppers'</li> <li>• Increase Purpose-driven clients</li> </ul>	<ul style="list-style-type: none"> <li>• Number of 'whoppers'</li> <li>• Average revenue per client</li> <li>• % revenue by industry sector</li> </ul> <p><b>Read more on pages 5 and 36</b></p>
<ul style="list-style-type: none"> <li>• Global merit cycles for all parts of the business</li> <li>• Quarterly career growth conversations and reviews</li> <li>• Continue to manage people cost in line with revenue growth</li> <li>• Expand global DE&amp;I and community groups</li> <li>• Identify global peer-to-peer learning platform</li> <li>• Accelerate.Monks middle management training programme</li> <li>• Motif.Monks senior management retention programme</li> </ul>	<ul style="list-style-type: none"> <li>• Four quarterly career growth conversations</li> <li>• Churn rate</li> </ul> <p><b>Read more on pages 57-61</b></p>
<ul style="list-style-type: none"> <li>• Increase proportion of Black US talent</li> <li>• Increase proportion of BIPOC US talent</li> <li>• Increase women in leadership globally</li> <li>• Third cohort of S<sup>4</sup> Women in Leadership and online expansion</li> <li>• Third cohort of S<sup>4</sup> Fellowship</li> </ul>	<ul style="list-style-type: none"> <li>• Annual diversity survey</li> </ul> <p><b>Read more on pages 57-61</b></p>
<ul style="list-style-type: none"> <li>• Set SBTi (Emission reduction) targets and submit them to SBTi for approval</li> <li>• Set ESG 2030 strategy with key performance indicators (KPIs)</li> <li>• ESG software implementation</li> <li>• ESG reporting</li> <li>• Implement impact day for employees (voluntary/community work)</li> <li>• Implement ESG policies and enhance governance and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Carbon output reduction</li> <li>• Progress B Corp accreditation</li> <li>• Increase Purpose-driven clients and For Good projects</li> <li>• Reduce business flights</li> <li>• Increase renewable energy</li> </ul> <p><b>Read more on pages 37-64</b></p>
<ul style="list-style-type: none"> <li>• Further integration of combinations</li> <li>• Further systems integration (Salesforce, Workday etc.)</li> <li>• Further support function centralisation</li> <li>• Consolidate ERP systems</li> <li>• Property consolidation</li> <li>• Roll out 'NOW' as North Star proposition</li> </ul>	<ul style="list-style-type: none"> <li>• % of cross-practice clients</li> <li>• Number of combinations fully integrated</li> </ul> <p><b>Read more on page 106</b></p>
<ul style="list-style-type: none"> <li>• Achieve 2023 like-for-like growth target in line with guidance</li> </ul>	<ul style="list-style-type: none"> <li>• Like-for-like net revenue growth</li> </ul> <p><b>Read more on pages 17-23</b></p>
<ul style="list-style-type: none"> <li>• Achieve operational EBITDA margin target</li> <li>• Improve utilisation rates</li> <li>• Balance net revenue growth and hiring</li> </ul>	<ul style="list-style-type: none"> <li>• Operational EBITDA margin</li> </ul> <p><b>Read more on pages 17-23</b></p>

# Measuring success: Key Performance Indicators

The Group uses a variety of Key Performance Indicators (KPIs) to monitor both financial and non-financial performance. Where applicable KPIs are based on alternative performance measures<sup>1</sup> to give a consistent year-on-year comparison.

## Financial

Like-for-like net revenue £m

**£891.7m**



Like-for-like +25.9%

This is more closely aligned to the fees the Group earns for its services provided to the clients. This is a key metric used in business when looking at both Group and practice performance.

Like-for-like operational EBITDA £m

**£124.2m**



Like-for-like -16.4%

Operational EBITDA is operating profit before the impact of adjusting items, amortisation of intangible assets and property, plant and equipment depreciation. The Group considers this to be an important measure of Group performance and is consistent with how the Group is assessed by the Board and investment community.

Like-for-like operational EBITDA margin

**13.9%**

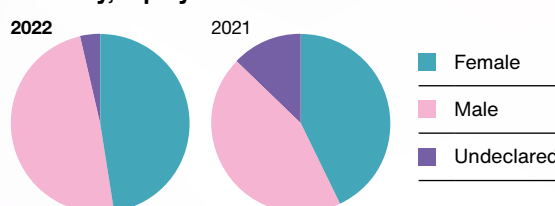


Like-for-like -710bps

Operational EBITDA margin is operating profit before the impact of adjusting items, amortisation of intangible assets and property, plant and equipment depreciation, as a percentage of net revenue.

## Non-financial

Diversity, Equity and Inclusion



We have made strides in our commitment to foster an environment of diversity, equity, inclusion and belonging by focusing on gender equality and gender pay gap equality, among others detailed on page 57.

Climate change

**3.7 tCO<sub>2</sub>e**  
per FTE

2021: 2.2 tCO<sub>2</sub>e  
emissions per FTE

Greenhouse gas emissions for Scope 1, 2022 vs 2021, Media.Monks global.

For an explanation of the significant difference between our GHG disclosures in the 2021 ESG Report and the 2021 SBTi Baseline see page 50.

Integration

**20**  
out of 33 combinations  
fully integrated to date

### Note:

1. Further detail on alternative performance measures can be found in the Appendix to the Annual Report and Accounts on page 201.

## Financial review



“ The second half performance incorporated enhanced financial processes and controls, supported by a strengthened finance team”

**Mary Basterfield**  
Group Chief Financial Officer

### Billings

**£1,890.5m**

**+45.8%**

Like-for-like<sup>1</sup> +23.5%

### Operational EBITDA margin

**13.9%**

**-410 basis points**

Like-for-like<sup>1</sup> -710 basis points

### Revenue

**£1,069.5m**

**+55.8%**

Like-for-like<sup>1</sup> +24.3%

### Adjusted operating profit

**£114.1m**

**+20.4%**

Like-for-like<sup>1</sup> -19.5%

### Net revenue

**£891.7m**

**+59.1%**

Like-for-like<sup>1</sup> +25.9%

### Operating loss

**-£135.3m**

**2021 -£42.1m**

### Operational EBITDA

**£124.2m**

**+23.0%**

Like-for-like<sup>1</sup> -16.4%

### Note:

1. Like-for-like is a non-GAAP measure and relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022 applying currency rates as used in 2022.



# Financial review continued

## Introduction

It has been encouraging to see the progress made during the year, after the challenges of the first half, including the delay to the 2021 results and profit underperformance, we delivered a much stronger second half. The second half performance reflected enhanced financial processes and controls, supported by a strengthened finance team, an improved operational EBITDA margin, also reflecting tighter cost controls and better cash generation centred around working capital. While we are pleased with the second half performance, we will continue to focus on all of these areas throughout 2023 to support the Company as it continues to grow and scale profitably.

## Alternative performance measures

Management includes non-GAAP measures in reporting as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although managements' measures may not be calculated in the same way as similarly titled measures reported by other companies; and these 'alternative performance measures' are useful in connection with discussions with the investment community.

The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trend, performance, and position of the Group. These underlying measures are used by the Group for internal performance analyses, and credit facility covenants calculations. The alternative performance measures include 'adjusted operating profit', 'adjusting items', 'adjusted operational EBITDA' and 'EBITDA' (earnings before interest, tax, depreciation). The terms 'adjusted operating profit', 'adjusting items', 'adjusted operational EBITDA' and EBITDA are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. The measures are not intended to be a substitute for, or

superior to, GAAP measures. A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures are set out in the Appendix to the Annual Report and Accounts on page 201.

## Financial summary

Billings<sup>1</sup> were £1.9 billion, up 45.8% on a reported basis, up 23.5% like-for-like<sup>2</sup> and up 24.3% pro-forma<sup>3</sup>. Controlled billings<sup>4</sup>, that is billings we influenced, increased to approximately £5.7 billion (2021: £3.9 billion).

Revenue was £1,069.5 million, up 55.8% from £686.6 million on a reported basis, up 24.3% like-for-like, and up 25.8% on a pro-forma basis.

Net revenue was £891.7 million, up 59.1% reported, up 25.9% like-for-like, and 27.1% pro-forma. Throughout the year our addressable markets remained reasonably strong, and we continued to outperform them.

Reported operational earnings before interest, taxes, depreciation and amortisation (operational EBITDA) was £124.2 million compared to £101.0 million in the prior year, an increase of 23.0%. Operational EBITDA was down 16.4% on a like-for-like basis and down 11.8% on a pro-forma basis. The like-for-like growth reflects challenges in our Data&Digital Media practice after a strong 2021, particularly in the second half, and also hiring ahead of the net revenue growth in Content in the first half. The Technology Services practice performed strongly. The outturn was modestly ahead of our revised operational EBITDA target of £120 million.

Operational EBITDA margin was 13.9%, down 410 basis points versus 18.0% in 2021, down 710 basis points like-for-like and 650 basis points pro-forma impacted by the speed of headcount growth ahead of net revenue growth in the Content and Data&Digital Media practices. We implemented tighter controls from the end of the first half which are having the desired effect. The second half operational EBITDA margin was 18.2%. Our ambition remains to return the margins to historic levels, above 20%, over the medium term.

### Notes:

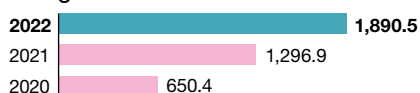
1. Billings is gross billings to clients including pass-through costs.
2. Like-for-like is a non-GAAP measure and relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022 applying currency rates as used in 2022.
3. Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the Group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.
4. Controlled billings is billings we influenced in addition to billings that flowed through our income statement.

Adjusted operating profit was up 20.4% on a reported basis to £114.1 million from £94.8 million, before adjusting items of £249.4 million, including combination payments tied to continued employment, share-based compensation, restructuring costs primarily related to headcount and amortisation of business combination intangible assets. Like-for-like adjusted operating profit was down 19.5% and pro-forma adjusted operating profit was down 14.7%.

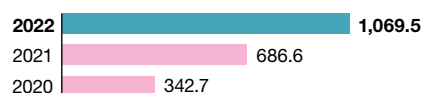
The reported operating loss of £135.3 million, was £93.2 million higher than in 2021, reflecting an increase in the amortisation of intangible assets, accounting for combinations including those made in 2022, the write down of 4 Mile and the impact of increased personnel costs. Loss for the year was £159.6 million (2021: £56.7 million).

Adjusted basic earnings per share was 11.8p, versus adjusted basic earnings per share of 13.0p in 2021. Basic loss per share was 27.0p (2021: 10.3p). The Board has decided that no dividends will be declared in 2022, as was the case in 2021, given the focus is on profitable growth and reducing the level of net debt. ►

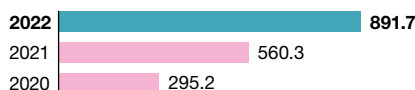
#### Billings £m



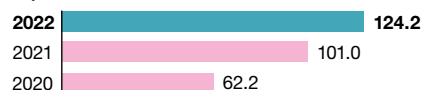
#### Revenue £m



#### Net revenue £m



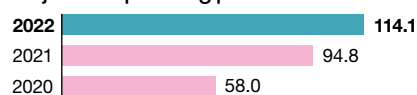
#### Operational EBITDA £m



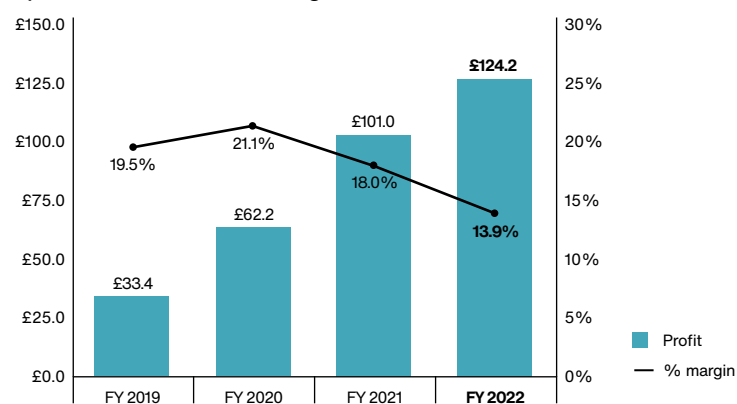
#### Operational EBITDA margin %



#### Adjusted operating profit £m



#### Operational EBITDA and margin £m/%



## Financial review continued

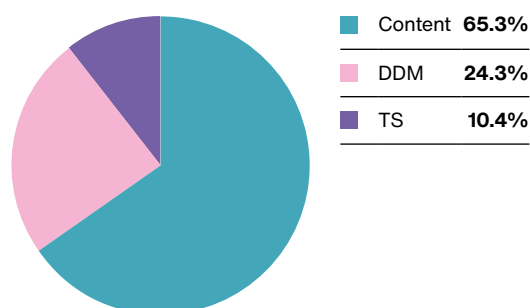
### Practice performance

Content practice's operational EBITDA was £74.1 million, up 41.7% on a reported basis versus last year, down 0.3% on a like-for-like basis and up 6.0% on a pro-forma basis. The Content practice operational EBITDA margin was 12.7%, compared to 13.6% last year, reflecting investment in hiring which ran further ahead of new revenue growth than planned in the first half of the year. The Company responded to this and the H2 2022 operational EBITDA margin improved to 18.1%.

Data&Digital Media practice's operational EBITDA was £39.9 million, down 27.5% on a reported basis from last year, down 39.9% on a like-for-like basis and 39.8% on a pro-forma basis. Data&Digital Media practice's operational EBITDA margin was 18.4%, compared to a strong performance in 2021 of 32.9%, reflecting the significantly increased investment in people to drive future growth and an increase in travel and office costs post covid-19. We were concerned by the H2 2022 performance for Data&Digital Media and corrective actions have been taken to improve operational EBITDA delivery.

Technology Services, which now includes Zemoga and TheoremOne, performed strongly with operational EBITDA of £36.1 million, representing an operational EBITDA margin of 39.2%.

Net revenue split by practice %



	Net revenue		
	2022 £m	2021 £m	LfL YoY
<b>Net revenue</b>	<b>891.7</b>	<b>560.3</b>	<b>25.9%</b>
Content	582.7	385.6	24.1%
Data&Digital Media	216.8	167.1	17.3%
Technology Services	92.2	7.6	72.3%
<b>Operational EBITDA</b>	<b>124.2</b>	<b>101.0</b>	<b>-16.4%</b>
Content	74.1	52.3	-0.3%
Data&Digital Media	39.9	55.0	-39.9%
Technology Services	36.1	3.1	109.9%
Central	(25.9)	(9.4)	-172.6%
<b>Operational EBITDA margin</b>	<b>13.9%</b>	<b>18.0%</b>	<b>-710bps</b>
Content	12.7%	13.6%	-310bps
Data&Digital Media	18.4%	32.9%	-1,750bps
Technology Services	39.2%	40.8%	710bps

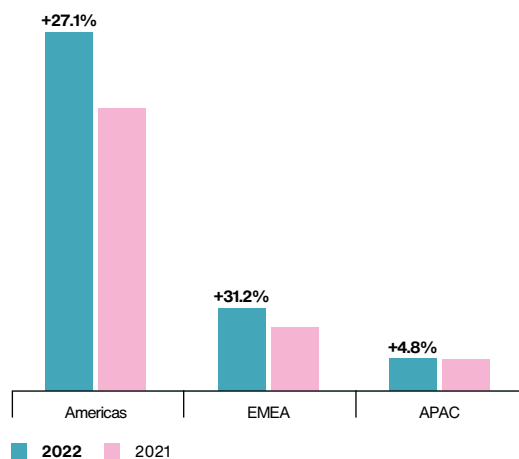
### Geographic performance

The Americas (75.6% of total) net revenue was £673.8 million, up 72.3% on a reported basis from last year. On both a like-for-like and pro-forma basis, the Americas net revenue was up 27.1% and 28.6% respectively, reflecting continued outperformance of the market and growth in our 'whoppers' and major clients.

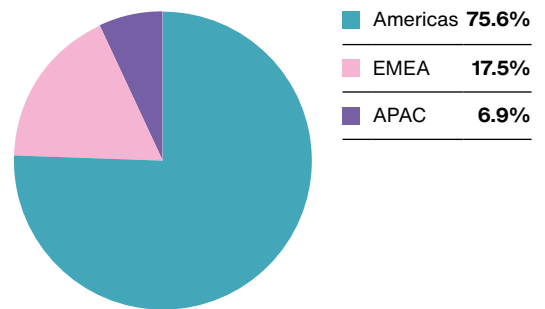
EMEA (17.5% of total) net revenue was £156.2 million, up 34.7% from last year on a reported basis. On both a like-for-like and pro-forma basis, EMEA net revenue was up 31.2%, primarily reflecting 'Whopper' growth and market outperformance.

Asia Pacific (6.9% of total) net revenue was £61.7 million, up 16.0% on a reported basis. On both a like-for-like and pro-forma basis, Asia Pacific net revenue was up 4.8%, reflecting continued organic growth, despite lockdown weakness in China. ►

Net revenue growth by region, like-for-like %



Net revenue split by region %



“ The Americas net revenue was up 72.3%... reflecting continued outperformance of the market and growth in our 'whoppers' and major clients”

# Financial review continued

## Cash flow

	Year ending 31 December 2022 £m	Year ending 31 December 2021 £m
Operational EBITDA	124.2	101.0
Capital expenditure	(16.1)	(14.9)
Interest paid	(14.2)	(5.5)
Income tax paid	(19.0)	(13.9)
Change in working capital <sup>1</sup>	(5.1)	(33.4)
<b>Free cashflow</b>	<b>69.8</b>	<b>33.3</b>
Mergers & Acquisitions	(162.6)	(101.7)
Other	0.6	(1.2)
<b>Movement in net debt</b>	<b>(92.2)</b>	<b>(69.6)</b>
Opening (net debt)/net cash	(18.0)	51.6
<b>Net debt</b>	<b>(110.2)</b>	<b>(18.0)</b>

**Note:**

1. Working capital includes movement on receivables, payables, principal elements of lease payments and depreciation of right-of-use assets.

Free cash flow for 2022 was £69.8 million, an increase of £36.5 million compared to 2021. This was driven by an improvement in operational EBITDA and the benefits of the focus on working capital management, with only a small outflow of £5.1 million in year (in contrast to an outflow of £33.4 million in 2021). This was partially offset by increased cash interest costs reflecting the term loan being in place for the full year and the increase in interest rates during the year.

Cash paid in relation to combinations (M&A) increased £60.9 million year-on-year to £162.6 million reflecting payments made in relation to 2022 combinations and prior year activity.

## Treasury and net debt

The year-end net debt was £110.2 million (2021: £18.0 million) or 0.8x net debt/pro-forma operational EBITDA, after the initial 2022 combination payments and contingent consideration related to prior year combinations. The balance sheet remains strong with sufficient liquidity and long-dated debt maturities. During the year, S<sup>4</sup>Capital Group complied with the covenants set in the loan agreement.

	2022 £m	2021 £m
<b>Net debt reconciliation</b>		
Cash and bank	223.6	301.0
Loans and borrowings (excluding bank overdrafts)	(333.8)	(317.1)
Bank overdrafts	–	(1.9)
<b>Net debt</b>	<b>(110.2)</b>	<b>(18.0)</b>
Lease liabilities	(58.4)	(42.0)
<b>Net debt including lease liabilities</b>	<b>(168.6)</b>	<b>(60.0)</b>



## Interest and tax

Income statement net financing costs were £25.7 million (2021: £12.3 million), an increase of £13.4 million due to increased levels of borrowing, to finance the in-year combinations, increased interest rates, increased lease costs and the discounting of contingent consideration. The income statement tax credit for the year was £0.1 million (2021: £1.1 million charge), reflecting higher losses in the year.

## Balance sheet

Overall the Group reported net assets of £849.6 million as at 31 December 2022, which is an increase of £48.4 million compared to 31 December 2021, driven mainly by the combinations made in the year increasing the goodwill balance, partially offset by increased contingent consideration and holdbacks.

## Acquisitions

### Content practice

On 1 July 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and XX Artists, an award-winning social media marketing agency, headquartered in Los Angeles, with a competitive talent edge, for an expected total consideration of approximately £20.5 million. XX Artists performed well in the year and in line with our expectations.

### Data&Digital Media practice

On 11 January 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and 4 Mile Analytics, a California-based leader in data analytics, data engineering, data governance, software engineering, UX design and project and product management, for an expected total consideration, including performance linked contingent consideration, of approximately £25.1 million. The business has performed well below our expectation and accordingly we have written down the goodwill and the majority of the assets.

## Technology Services practice

On 16 May 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and TheoremOne, a California-based leader in agile, full-stack, innovation, engineering, and design which helps major enterprises achieve strategic digital transformation. The expected total consideration is approximately £143.0 million and the business has performed well in the year.

## Outlook/guidance

For 2023 we target our net revenue growth rate to reflect those of the two main addressable digital markets we serve. We estimate this as around 8-12% like-for-like, after reflecting the pro-forma impact of one 'whopper' reduction on net revenue. We will continue to manage costs tightly and target an operational EBITDA margin of 15-16%. As in previous years, given our seasonality, 2023 will again be second half weighted. Longer term, we expect to continue to be able to deliver strong net revenue growth with operational EBITDA margins returning to historic levels. ■

## Principal risks and uncertainties

We strongly believe that effective risk management is crucial to the financial strength and resilience of the Group and for delivering its business strategy.

The Group's strategy is to build a tech-led, new age/new era digital advertising, marketing and technology services company. Having substantially grown by acquisition over the last few years, the Group is now enhancing its operational structure to ensure it can grow in a healthy, cost controlled and risk mitigated way.

The Group's approach to risk is kept under review. The Group's approach to particular risks or classes of risk may change over time as the Group grows and its market evolves.

The Board has ultimate responsibility for the Group's approach to risk management and internal control. On behalf of the Board, the Audit and Risk Committee oversees risk management for the Group.

During the year, the Board undertook a robust review of its risk management framework, risk appetite and principal risks. The Group also appointed its first Head of Risk, who joined in February 2023 and reports to the General Counsel. She will be responsible for codifying the Enterprise Risk Management (ERM) framework and formalising principal risk reporting, as well as ensuring that the Group's risk management activities continue to be flexible to support a fast-growing, entrepreneurial and evolving Group.

Many of the risks faced by the Group as a whole, together with its Content, Data&Digital Media and Technology Services practices are similar. The Group therefore seeks to adopt a consistent approach to such risks and to pool expertise in risk management, as appropriate, but will enable capabilities and central functions to adopt more nuance in managing their own specific risks. Nevertheless, the Board considers that it is also appropriate for a risk register to be maintained at the Group level.

Each principal risk is owned by a senior executive, who is responsible for risk mitigation activities within the Group's risk overall appetite.

### Risks

The principal risks and uncertainties that the Board believes could have a significant adverse impact on the Group's business are set out on pages 25 to 27. Other, less material risks (including emerging risks) are monitored through the risks framework, and discussed at the Audit and Risk Committee.

Risk	Description	Management actions
<b>Economic environment</b>	<p>Macro-economic risks: Clients may reduce spending budgets for marketing and technology services as a result of poor macro-economic conditions, both locally and globally. This could result in the Group being unable to meet financial targets or deliver growth expectations.</p>	<ul style="list-style-type: none"> <li>The Group has a diversified client base and continues to review its route-to-market, as well changing client demands and expectations to help manage any economic headwinds.</li> <li>In addition, the Group is adopting a more flexible and agile approach to resource management and costs to manage profitability.</li> </ul>
<b>People and leadership</b>	<p>People retention: The loss of key staff could impede the Group's ability to execute on strategic and financial plans, product development, project completion, marketing and overall strategy.</p> <p>Founder transition: Moving from a small to mid-size entrepreneurial company to a large listed global group may lead to internal tensions resulting in difficulty in consistently applying the strategy globally, or founders choosing to leave the Group.</p>	<ul style="list-style-type: none"> <li>The Group continues to evolve a people strategy based on culture and engagement, equality and wellbeing, talent development, training and reward and recognition.</li> <li>A CPO has been appointed with a global remit.</li> <li>The Group is establishing periodic reviews of the adequacy and strength of its management teams to ensure that appropriate experience and training is given.</li> <li>The Group is also developing succession planning for key executives.</li> <li>The Group is formalising roles and responsibilities and has created multiple fora to ensure that the voice of our people are being heard.</li> </ul>
<b>Controls and compliance</b>	<p>Insufficient resources and expertise and an ineffective control environment may result in incorrect financial data and corresponding impacts on the Group's reputation and access to external funding.</p>	<ul style="list-style-type: none"> <li>Significant investment in the Group and practice finance teams has been made in 2022, bringing in expertise and capability from listed multinational companies to a restructured Group team.</li> <li>Deloitte LLP has been appointed to provide an outsourced Internal Audit service to give independent assurance.</li> <li>Processes and controls around IFRS15 have been reviewed and redesigned, and training has been completed within the business.</li> <li>A minimum financial controls review has been undertaken across the Group, with Internal Audit and the Internal Control team reviewing responses.</li> </ul>

# Principal risks and uncertainties continued

Risk	Description	Management actions
<b>Strategic</b>		
	If the Group does not grow at the speed proposed in its strategy, or does not successfully integrate new businesses into the Group, this may adversely impact on the Group's financial position and operations. In addition, failure to successfully integrate new businesses could lead to high employee attrition rates and unnecessary combination expenses.	<ul style="list-style-type: none"> <li>The Group keeps a list of potential targets to enable non-organic growth.</li> <li>The Group continues to execute practices that will improve efficiency, reduce costs, and improve liquidity.</li> </ul>
<b>Integration</b>		
	Inadequate integration of merged entities leads to increased costs, lack of clarity of governance, unclear roles and responsibilities, which in turn could impact the single services offering, increase attrition rates and increase risks of accounting errors and legal issues.	<ul style="list-style-type: none"> <li>Integration remains a bonus metric to encourage the successful integration of combined businesses into the Group.</li> <li>The Group is supporting full integration through a dedicated Post-Merger team, who are responsible for overseeing post-combination activities.</li> <li>Processes maps are being developed to ensure a smooth transition from the diligence and completion phase, through to the full integration of each new business into the Group.</li> </ul>
<b>Strategic and governance</b>		
	<p>The market views the Group's success as intrinsically linked with the Executive Chairman, Sir Martin Sorrell. Should he not be a part of the Group without an effective succession plan, it could have a significant impact on the share price and market view of the Group.</p> <p>Adverse media reports on Sir Martin Sorrell could therefore have a disproportionate impact on the Group.</p>	<ul style="list-style-type: none"> <li>The Group is working on a succession plan for Sir Martin Sorrell.</li> <li>A strong senior leadership team is currently in place.</li> <li>The Group has put in place a media communications policy and an agreement with an external communications adviser in place.</li> </ul>
<b>Systems and processes</b>		
	The lack of a single accounting software across the business and the legacy systems in use has resulted in a fragmented systems environment.	<ul style="list-style-type: none"> <li>A review of the finance systems landscape is being undertaken to determine a roadmap for the Group's finance systems.</li> <li>An experienced Finance Transformation lead has been appointed and she is leading the process for selection of a new ERP.</li> <li>The design and implementation phases are likely to run through 2023 and 2024.</li> </ul>
<b>Competitive environment</b>		
	<p>Industry competition: The advertising, marketing and technology services industries are highly competitive and subject to significant and rapid change.</p> <p>The global shortage of technical talent can drive up the cost of such talent eroding future margins.</p>	<ul style="list-style-type: none"> <li>The Group focus on multiple lines of business and its strategy to offer integrated services and disrupt the industry enables longer-term, more durable client relationships.</li> <li>The Group is in the process of leveraging a worldwide talent recruiting model that utilises fully-distributed teams, which will enable the Group to compete for the strongest global talent.</li> <li>Executives also maintain relationships with key partner leadership from the Board level down to director for the relevant practice.</li> </ul>

Risk	Description	Management actions
<b>Information security</b>		
	<p>Inadequate user access protocols could lead to information access by unauthorised individuals.</p> <p>Disclosure of information by either error or phishing scams could lead to the release of confidential information, loss of business, commercial penalties and/or reputational damage. In addition, cyber-attacks, malware and ransomware could lead to system unavailability or client service disruption.</p>	<ul style="list-style-type: none"> <li>A multi-year Information Security strategy is being designed, which includes mitigation activities, awareness training, increased InfoSec headcount, rolling out security and monitoring tools, an insider threat programme and developing policies and processes.</li> <li>In addition, an Information Governance programme is being designed to manage the lifecycle of information.</li> </ul>

## Viability Statement

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Board of Directors of S<sup>4</sup>Capital Group (the Group) has assessed the prospects and viability of the Group over a period of three years from 1 January 2023. The three-year period has been chosen as it aligns with the Group's strategic planning cycle, the rapidly changing landscape in the marketing and advertising industry, and the time horizon typically employed for the assessment of industry-specific risks and uncertainties.

The selection of a three-year period also allows the Group to balance short-term responsiveness with long-term strategic planning, reflecting our focus on agility, adaptability, and innovation. This period is deemed appropriate considering the following factors:

- 1. Industry dynamics:** The marketing and advertising industry is characterised by rapid technological advancements, evolving consumer preferences, and the need for constant innovation. A three-year period allows the Group to monitor and adapt to these changes while maintaining a forward-looking perspective on future opportunities and challenges.
- 2. Competitive landscape:** Given the fast-paced nature of the industry, it is essential for the Group to maintain a competitive advantage by anticipating and responding to emerging trends and client demands. A three-year period is suitable for assessing our competitive position and developing strategies to maintain and strengthen our market share.
- 3. Environmental risks:** The Group recognises the importance of addressing environmental risks, including climate change and resource scarcity. A three-year period allows the Group to assess and manage the potential impact of these risks on its operations and implement measures to minimise any adverse effects.
- 4. Financial resilience:** A three-year period aligns with the Group's budgeting and forecasting processes, enabling the Board to evaluate the financial resilience of the business while considering potential risks and uncertainties.

The Board has set the strategy for the Group within the digital marketing and advertising sector, considering key factors such as market dynamics, competitive landscape, technological developments, regulatory environment, and the Group's financial resilience. The Board has also reviewed the Group's risk management framework, which identifies, evaluates and mitigates significant risks to the business, including both internal and external factors, with particular attention to environmental risks.

Key assumptions underpinning the viability assessment include the following:

1. Sustainable revenue growth driven by the increasing demand for digital marketing and advertising solutions and our ability to respond effectively to industry trends.
2. Successful integration and synergy realisation from strategic mergers and acquisitions, further enhancing our service offerings and expanding our global footprint.
3. Adherence to a disciplined financial strategy, focusing on maintaining a prudent level of debt and ensuring access to adequate sources of funding.
4. Compliance with relevant laws and regulations, as well as our commitment to upholding the standards of corporate governance.
5. Effective management of key risks, including economic, operational, environmental, and reputational risks, through the implementation of robust mitigation strategies. ►



## Principal risks and uncertainties continued

The Board of Directors has performed a robust assessment of the principal and emerging risks and uncertainties that could threaten the business model, future performance, solvency or liquidity of the Group. The assessment includes an evaluation of the Group's resilience to these threats in severe but plausible scenarios. The principal and emerging risks and uncertainties that the Board believes could have a significant adverse impact on the Group's business are set out on pages 25 to 27.

In the downside scenario, the Group models a considerable decline in demand during 2023 and 2024, resulting in a 30% reduction in net revenue when compared to the forecasts. In addition, the assumption for 2025 maintains net revenue at 2024 levels, including the 30% downside reduction.

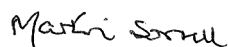
Our results of stress test in the downside scenario indicate that the Group maintains adequate liquidity throughout the evaluation period, demonstrating resilience under these challenging conditions. In addition, the Board can leverage the following mitigating actions that are not reflected in the downside scenario but would, if required, be fully under the Group's control:

1. **Cost reduction:** Identify and implement cost-saving measures across the Group, including potential reductions in discretionary spending and operational efficiency improvements.
2. **Portfolio optimisation:** Re-evaluate the Group's product and service offerings to focus on high-margin, high-demand areas, while discontinuing underperforming or low-margin products and services.
3. **Workforce planning:** Review the Group's workforce and implement measures to optimise resource allocation, including potential hiring freezes, voluntary redundancy programmes or reskilling initiatives.
4. **Financial management:** Review the Group's financial position and explore options for restructuring its debt, such as renegotiating loan terms, refinancing existing debt, or securing alternative sources of financing.

In addition to the mitigating actions outlined above, the Group has access to a fully undrawn Revolving Credit Facility (RCF) of £100 million. This facility serves as an additional financial resource that can be utilised to manage liquidity, support operational stability, and address any unforeseen challenges or opportunities that may arise during the assessment period.

Based on the outcome of this comprehensive assessment, the Board has a reasonable expectation that S<sup>4</sup>Capital Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment. The Board acknowledges that there are inherent uncertainties in any forward-looking analysis, and therefore, it will continue to monitor and update the Group's risk management framework and business strategy as needed. ■

The Strategic Report on pages 10 to 28 was approved by the Board of Directors on 13 April 2023 and signed on its behalf by:



**Sir Martin Sorrell**  
Executive Chairman

13 April 2023



**Mary Basterfield**  
Group Chief Financial Officer

13 April 2023

## 2 Industry outlook and ESG reports

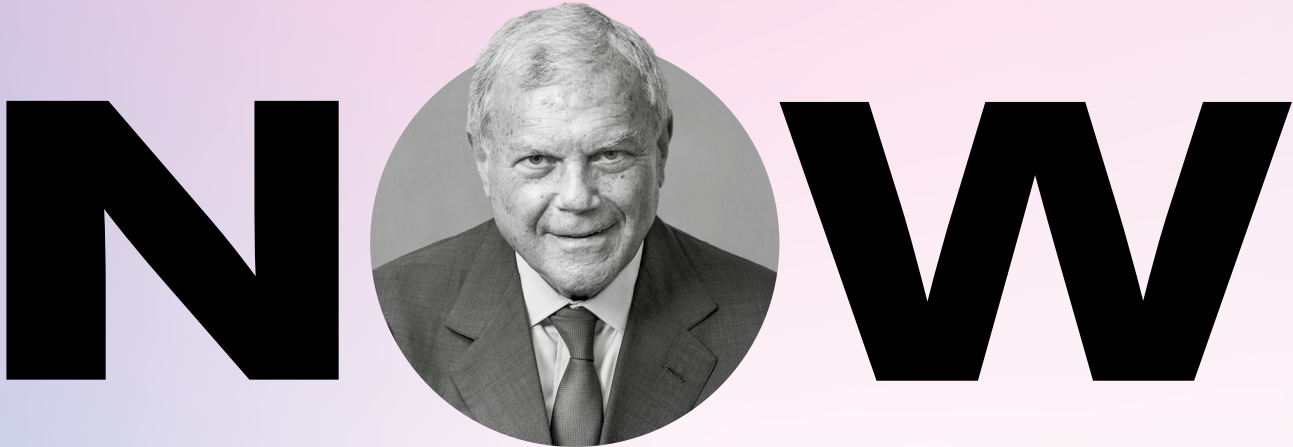
30	Our world now By Sir Martin Sorrell	55	Sustainable Work
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# Making sense of



The 2020s will be very different from what we are used to. And that means you will have to run your business or live your life in a totally different way.

# Our world



**By Sir Martin Sorrell**

In his May 1983 *Harvard Business Review* article ‘The Globalization of Markets’, Ted Levitt highlighted that multinational companies were abandoning the strategy of adapting their products to idiosyncratic consumer preferences in individual countries in favour of “globally standardised products that are advanced, functional, reliable – and low priced.” Globalisation was born and became the reigning economic paradigm for decades to come.

Forty years later we are moving away from globalisation. Among the reasons are a series of disparate geo-political developments, and a level of uncertainty that is unprecedented in recent times. The West’s stand-off with China, the war in Ukraine and the growing threat from Iran: these are all shifts that have divided the world and unleashed a nightmare for those building and operating supply chains to serve global markets. The specific hurdles include escalating energy costs; the insecurity of sourcing components or manufacturing from countries at risk of conflict; and targeted international sanctions.

Once you could plant your flag and trade wherever there was a favourable demographic; now the world is becoming fragmented and we all have to be much more selective about where we invest. Onshoring, re-shoring, ‘friend-shoring’ – all these will have a part to play in business success over the next few years. The challenge will be to find secure places where you can build supply chains and service your key markets.

Just as the World Cup in Qatar demonstrated that the hegemony of Europe and South America in football is no longer guaranteed, from a power structure point of view the world has also become a very different place. China's President Xi almost never travels abroad, but when he did recently it was to Saudi Arabia – a country with annual oil revenues of \$300 billion that is breaking away from the Western orbit.

Is this the end of globalisation? David Solomon of Goldman Sachs says he thinks it's less globalisation. I think it's a little bit more fundamental than that. If you were in the US starting a business today, you're more likely to focus on the US and Latin America – I don't think you would be so keen to invade Europe or Asia as in days gone by.

### **The same, but different**

We've been in difficult situations before. The great financial crisis of 2007-2008 is one example; the recent covid-19 pandemic is another. The reason it seems different this time is that it's not easy to see the way out: everything seems to lead down a blind alley. The war in Ukraine could go on for 10 years. If Putin is removed, it is possible that someone even worse will replace him. Meanwhile, Europe has become less stable, facing the costs of the war and high energy prices for years to come.

With China, the divergence from the West looks equally intractable. Xi's speech from the Congress late last year was Marxist Leninist in tone: we are going to choose our own road, and Taiwan is a fundamental part of Mao's legacy. At a meeting in Washington recently, a senior Republican asked a group of us: "what can I do to help you in business?" When I said: "you can reduce the invective against the Chinese," her response was that is not going to happen. But the way to deal with the Chinese is not to insult them in public – you can make your arguments privately and they will listen.

**“ Once you could plant your flag and trade wherever there was a favourable demographic; now the world is becoming fragmented and we all have to be much more selective about where we invest”**

China presents significant conundrums for the international community. Key among these is the danger that it will push ahead with an invasion of Taiwan, and the threat that China seeks to harness technology for anti-democratic purposes. Beijing also has challenges of its own. The country is still in the throes of escaping the covid trap, and there are big problems in the real estate market and with youth unemployment. The rule used to be that China needs to grow by at least 5% or 6% in order to maintain social stability and absorb the pools of labour that are coming in. The signs are that Xi may become more accommodating domestically in order to get the economy going, but he's unlikely to dial down the aggression towards the West.

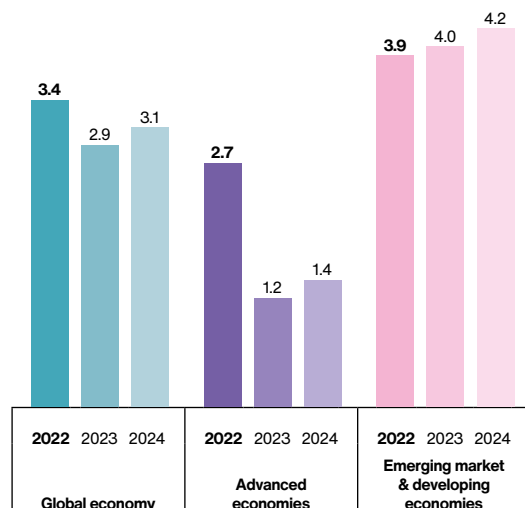
And in Iran, while Iranians I've spoken to were confident the protests would lead to the fall of the regime, it doesn't look that way to me. Iran may be a rounding error in economic terms, but its geopolitical impact is much greater. President Biden wanted to re-constitute the nuclear agreement – the Joint Comprehensive Plan of Action – but that has collapsed and Iran is still working towards developing nuclear weapons.

This comes against a subdued economic backdrop. Global GDP is set to grow in 2023 at 1.5-2%. We are moving from a world with low interest rates, inflation and energy costs, to one where everything is reversed. Inflation is going to continue, if we're lucky, at 3% or 4%; interest rates probably at 4% to 5% – certainly higher than we are used to; and energy prices will also remain high.

The 2020s, in other words, will be very different from what we are used to. And that means you will have to run your business or live your life in a totally different way. ►

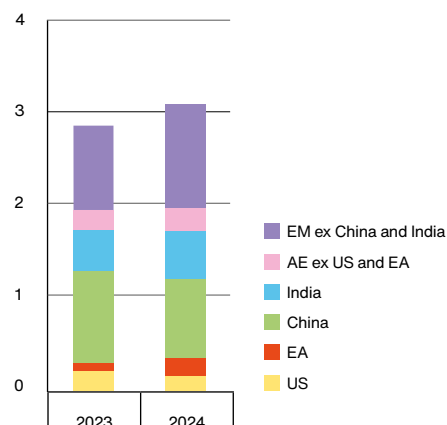
## Our world now continued

World economic outlook growth projections (%)



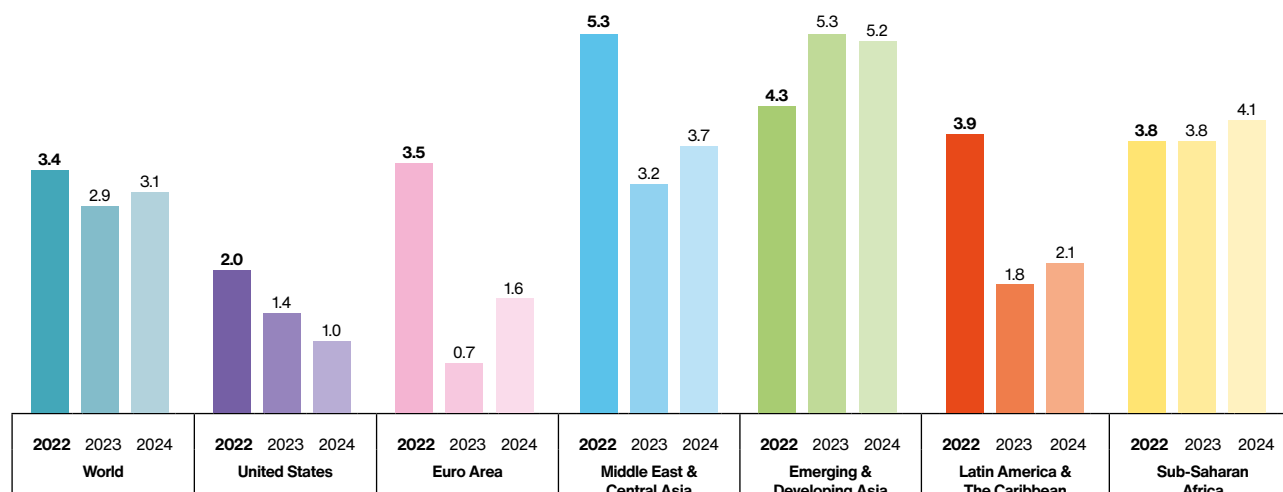
Source: IMF World Economic Outlook Update, January 2023

Contribution to world GDP growth (% share of world growth)



Sources: IMF and IMF staff calculations  
Note: AE = Advanced economies; EM = Emerging economies; EA = Euro area

Growth projections by region (% change)



Source: IMF World Economic Outlook Update, January 2023



### A new world order

We're moving from a world dominated by the US to one that is more polycentric; at the very least it's a G2 world now with the US and China, and that could become G3 with India. The two key issues for businesses deciding where they want to operate will be growth and security. The Middle East is full of promise going forward; Saudi Arabia grew 8.5% in 2022, and Qatar and the Emirates are also growing strongly. Asia outside China is also very attractive, especially Indonesia, Vietnam, Malaysia and the Philippines. Vietnam grew at 8% in 2022 – its fastest rate since 1997.

The Americas are going to become more important for different reasons. The world has to find places that are more secure; you can't onshore labour intensive manufacturing to countries like the US because of the cost, but although Latin America has shifted to the left, it represents a relatively stable business environment. Mexico is on the doorstep of the US and offers a great partnership. I'm very bullish on Brazil with Lula back in charge because there is a highly entrepreneurial culture there. Further afield, another example of companies moving to more secure locations is Morocco, where car manufacturers are re-training rug weavers to wire their vehicles.

The US has the prospect of re-kindling growth with lower taxes and less regulation after the Presidential election in 2024 if the Republicans win; there are already promising signs on inflation and interest rates.

Europe looks much less promising and the UK worst of all. The current situation in the UK is like the 1960s. The fundamentals are so difficult in a post-Brexit world: there is an exodus of people from the financial community and a failure to acknowledge that the reason prospects are so gloomy is because of Brexit.

What does all this mean for S<sup>4</sup>Capital? Our geographical split is currently 75% North and South America; 18% EMEA; 7% Asia. Previously our objective was to move to 40/20/40, but now it will probably be 60/20/20.

**“ The two key issues for businesses deciding where they want to operate will be growth and security”**

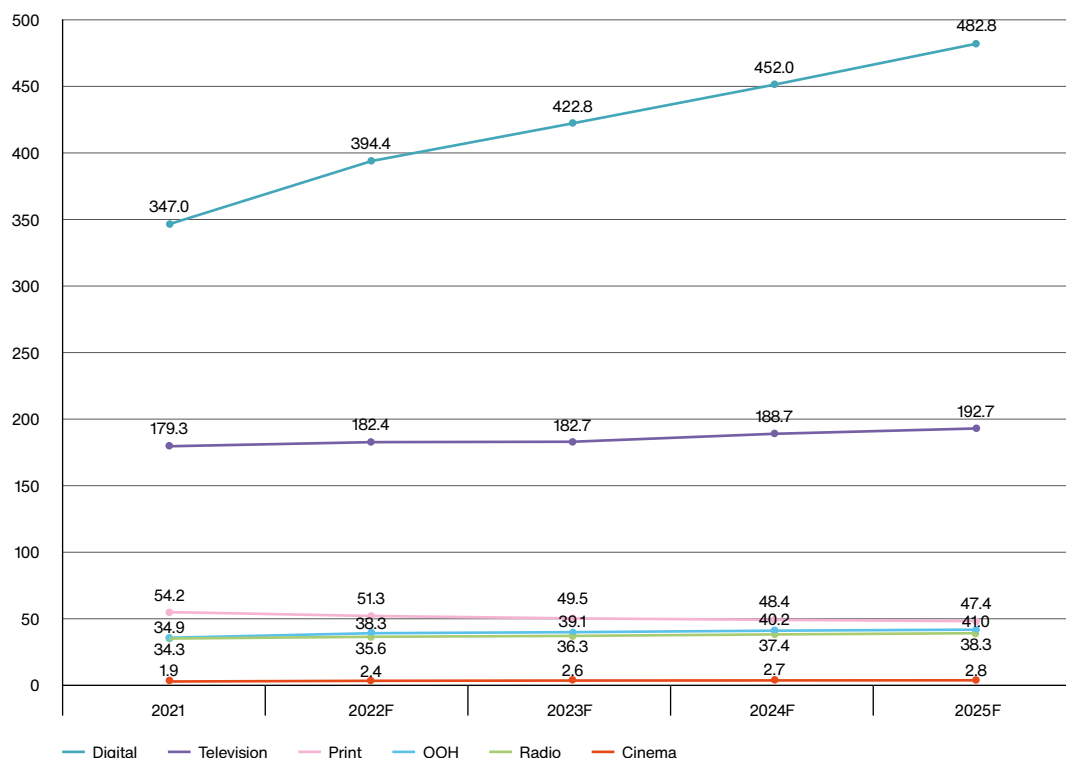
### Technology to the rescue

With inflationary forces baked into the global economy for the foreseeable future, one of the few bright spots is the role that technology can play in countering inflation by reducing the cost of production in so many areas, from car manufacturing to the environment. Tech boomed on the back of quantitative easing which fuelled an era of cheap money. As the cost of borrowing has gone up over the last 12 months, tech stocks went out of favour; but when interest rates start to fall, there will inevitably be a reassessment of the growth part of the market, and technology will stand out as the beacon. Technology in its different forms has always enabled us to do more with less. If you went back in time and asked if we would be able to survive as a species with the population at the level it is now, people would have said that was not possible. But we managed to build the technological responses that have made that so.

In the advertising world, today's growth is all digital. Spend focused on digital media represents 60-65% of budgets this year; it will reach over 70% by 2025. The argument that advertising is going to rise as a proportion of GDP from about 1% in the US to one and a half is entirely premised on digital growth. Our forecast for the platforms is 7-8% growth in advertising revenue in 2023, with Apple and Microsoft leading the pack. We see a strong push for digital transformation ahead and Technology Services – the part of our business that helps companies to manage that – will be up by 7-10%. The metaverse will also provide growth opportunities in time. It's now happening in sectors such as entertainment, luxury, healthcare and sport; we're already working with NBA for example. ►

# Our world now continued

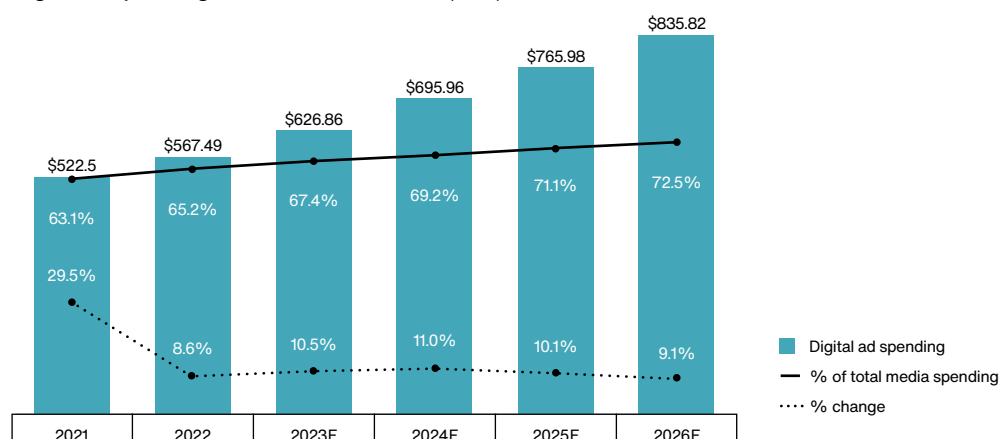
Ad spend evolution by channel (\$bn)



F: Forecast

Source: Dentsu 2023 Global Adspend Forecast

Digital ad spending worldwide 2021-2026 (\$bn)



**Note:** Includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising.

F: Forecast

Source: eMarketer

## Our market now

# 7-8%

Digital media spend is projected to grow at 7-8% in 2023<sup>1</sup>

# 11.7%

Digital transformation services is expected to grow 11.7% in 2023<sup>2</sup>

# \$197bn

AI is already a \$197bn market growing at 44%<sup>3</sup>

# \$21.1bn

Influencer spend expected to be \$21.1bn in 2023, up 29%<sup>4</sup>

# 7-8%

The three main platforms are expected to grow ad revenue by 7-8% in 2023<sup>5</sup>

# +87%

Top 25 agency groups had 2021 revenues of \$129bn, S<sup>4</sup>Capital Group has 0.73% market share, up 87%<sup>6</sup>

### Sources:

1. GroupM, Dentsu, ZenithOptimedia, Magna, December 2022
2. Gartner Digital Business Implementation Services, April 2022
3. GrandView Research, Artificial Intelligence Market Report, 2023

4. Influencer Marketing Hub, 2023
5. Morgan Stanley, March 2023
6. AdAge, April 2022

## The bots are coming

AI is going to have a huge impact in the sectors we serve, and that plays perfectly to our transformative mission. Media.Monks' report, *The Revolution Will Be Generated: how AI is changing everything you know about marketing*, sets out how artificial intelligence and machine learning will disrupt business across content, data and digital media, and technology, in what could prove a Kodak moment for those who fail to keep up. Generative tools like ChatGPT and Bard are already accelerating the delivery of hyper-personalisation, conferring superpowers in terms of productivity and capability to our teams in all departments, and enabling us to create AI-driven brand experiences for our clients. AI may also encourage big tech platforms to bypass media agencies and go straight to clients – without having to employ thousands of people to execute media plans. In that case we will fulfil a new role: providing assurance that the algorithm is optimised for clients' benefit. Everyone has to decide whether AI is a threat or an opportunity; for us it is unambiguously the latter and we will be relentless in exploiting our early mover advantage.

## The new watchword is agility

For clients, agility is a key priority – both internally and from their partners. The two big issues for clients right now are top-line growth, which has become extremely elusive; and pricing, with the need to adjust prices in response to inflation. They want speed of execution, less bureaucracy, and they want advertising that delivers activation and performance, with the help of media mix modelling, and ROI measurement.

## Shifts and transitions

Consumer behaviour has modified to coincide with the shift in clients' priorities. Attention spans have shortened, and consumers have become more promiscuous in their perspective towards brands. The immediacy of attention spans creates a further imperative to focus on activation and performance, at the expense of long-term brand awareness. In short, we must be much more in the consumer's face. This will be anathema to some people in our industry, but data-driven creative is better than intuitive creative. It's natural that creatives want to ►

## Our world now continued

produce great campaigns and get lauded for their work. But lavish TV films are no longer where the action is; that's digital campaigns delivering measurable results. And this is not a temporary state of affairs – it is long term or permanent.

In the short term, expediency dictates that the emphasis on 'purpose' is also going to be reduced. That's because of the focus on immediate priorities, the need to have a good story to tell at the next quarterly earnings call. You could see evidence in the fact that the CEOs of both Unilever and Vodafone – companies with a strong sense of purpose – are departing. It's the same logic by which the activist group Bluebell is demanding that Larry Fink resign at Blackstone, because they say he's not taking ESG seriously enough. And the same argument has led the UK Government to decide on opening a new coal plant in Cumbria. It's needs must when the devil drives.

### We are strengthening our practices

In 2022, Media.Monks merged with enterprise technology developer TheoremOne, and with social media content company XX Artists. These new additions are not only strengthening our three practices, but also reinforcing our capabilities with the tech platforms. TheoremOne has significantly upped our Technology Services game in the US, providing a distribution network for Zemoga in Colombia. XX has reinforced our social practice and is particularly strong with Google and YouTube. We're now 65% Content; 25% Data&Digital Media; and 10% Technology Services. I really want it to be 50/25/25. The push for technology transformation is going to be big in 2023, and our forecast for Technology Services is 15-20% growth, so we are definitely getting there.

Our unification strategy calls for further energy and commitment as we continue to expand. Parts of our operation that we need to integrate more include Cashmere, Decoded and Jam3 in North America; and Raccoon in Brazil. We've come a long way already and we will realise increasing benefits from adopting a unitary brand and a single P&L.

**“ Everyone has to decide whether AI is a threat or an opportunity; for us it is unambiguously the latter and we will be relentless in exploiting our early mover advantage”**

### Whoppertunity knocks

Our 20/20 strategy – to win 20 clients with billings of \$20 million a year, or 'whoppers' – has now reached the halfway stage. During the last year we went from 6 to 10 confirmed 'whoppers'. And we have a healthy pipeline of further candidates for 'whopper' status going forward.

### A focus on talent

Finally, a word about our people. We are seeing something of an armistice in the war for talent. We've always had to deal with a strong market for digital skills, in which some of our people were lured away with crazy money, options and job titles, but it forced us to be competitive. That market has now eased, with Amazon, Meta, Microsoft, Netflix, PayPal and Spotify all cutting, and others including Apple and Alphabet, reducing their hiring.

We've ended the year with 8,900 people and we're applying a brake rather than a freeze on recruitment – which means we are able to look carefully and selectively at hiring decisions. In effect we've slightly reduced the headcount in Content and in Data&Digital Media, while building up Technology Services.

The situation in the world may be discouraging, but one thing we won't sacrifice is our commitment to diversity and wellbeing among our people – including our Women in Leadership Program, Fellowship Program and our new Scholars Program that is going into US high schools to recruit. For anyone starting a career these are challenging times. It may be a cliché, but our people are our future – and our best chance to navigate to an era of greater optimism. ■

## ESG: Our sustainability commitments

**“ We firmly believe that technology and creativity can be used as forces for good and are powerful tools in transitioning towards a more sustainable society. This belief is the core of our sustainability vision, strategy and commitments”**

**Victor Knaap**

Chair of the ESG Executive Committee

### A year of action

Within our industry, we've seen new initiatives and tools launched, like AdGreen, to help us move towards a more sustainable future through increased transparency and measuring of CO<sub>2</sub> emissions. There has also been an increased level of collaboration, amplified by pledges, in which we share best practices and knowledge. We support these initiatives and continue to engage with leading stakeholders, industry efforts and global initiatives – like the World Economic Forum and the International Business Leaders' Advisory Council (IBLAC), both attended by Executive Chairman, Sir Martin Sorrell.

Media.Monks signed The Climate Pledge in 2021 with a goal to reach net zero by 2040. To set science-based targets we took full inventory of our emissions, using the Greenhouse Gas (GHG) Protocol standards to understand the reduction opportunities within the Group. We submitted our SBTi letter of commitment at the end of 2022, and are developing a detailed roadmap in 2023.

We also enhanced our ESG governance structure, updated our global policies and compliance, completed our TCFD risk assessment and entered our ESG data into the CDP's global disclosure system for the first time.

In 2022 we focused on our people and people experience with the appointment of our Global Chief People Officer James Kinney. James and our People team set our People strategy into motion with the launch of our DE&I platform that vitally touches all aspects of our business – Diversity in Action.

Embedding a greater understanding of diversity and cultural fluency into the Group is also a top priority, and to emphasise its importance and our commitment we signed the United Nations (UN) Women's Empowerment Principles.

We continued to focus on closing the representation gap in our industry by providing training to underserved and/or underrepresented talent. We support our clients in the mission towards a more sustainable future by continuing to use technology and creativity as a force for good in helping them amplify messages of the unheard. ►



# Our sustainability commitments continued

## Our ESG strategy

Each of our strategic pillars contribute to our overarching ESG goal: to become a more sustainable and inclusive, global Company. To that end, we are working towards B Corp certification as an acknowledgement of our efforts, and are now in the full scope assessment.

Our B Corp ambition demonstrates how we strive to become industry leaders – which we believe starts with increased transparency and standardisation in order to measure, compare and adjust.

## Our strategic pillars



### Zero Impact Workspaces

#### Our goal:

A climate neutral and environmentally conscious household, with tangible efforts in our daily operations.

#### Our plan:

Set a science-based emissions reduction target for Scope 1, 2 and 3.

[Read more on page 50](#)



### Sustainable Work

#### Our goal:

A catalyst for change, leveraging our expertise to innovate with technology and creativity For Good, for and with our clients.

#### Our plan:

Implement our Sustainable Production Lab report findings into our daily operations.

[Read more on page 55](#)



### Diversity, Equity and Inclusion

#### Our goal:

An equitable, inclusive workplace where people of different backgrounds can grow their careers in a culture that is committed to diversity in all its forms.

#### Our plan:

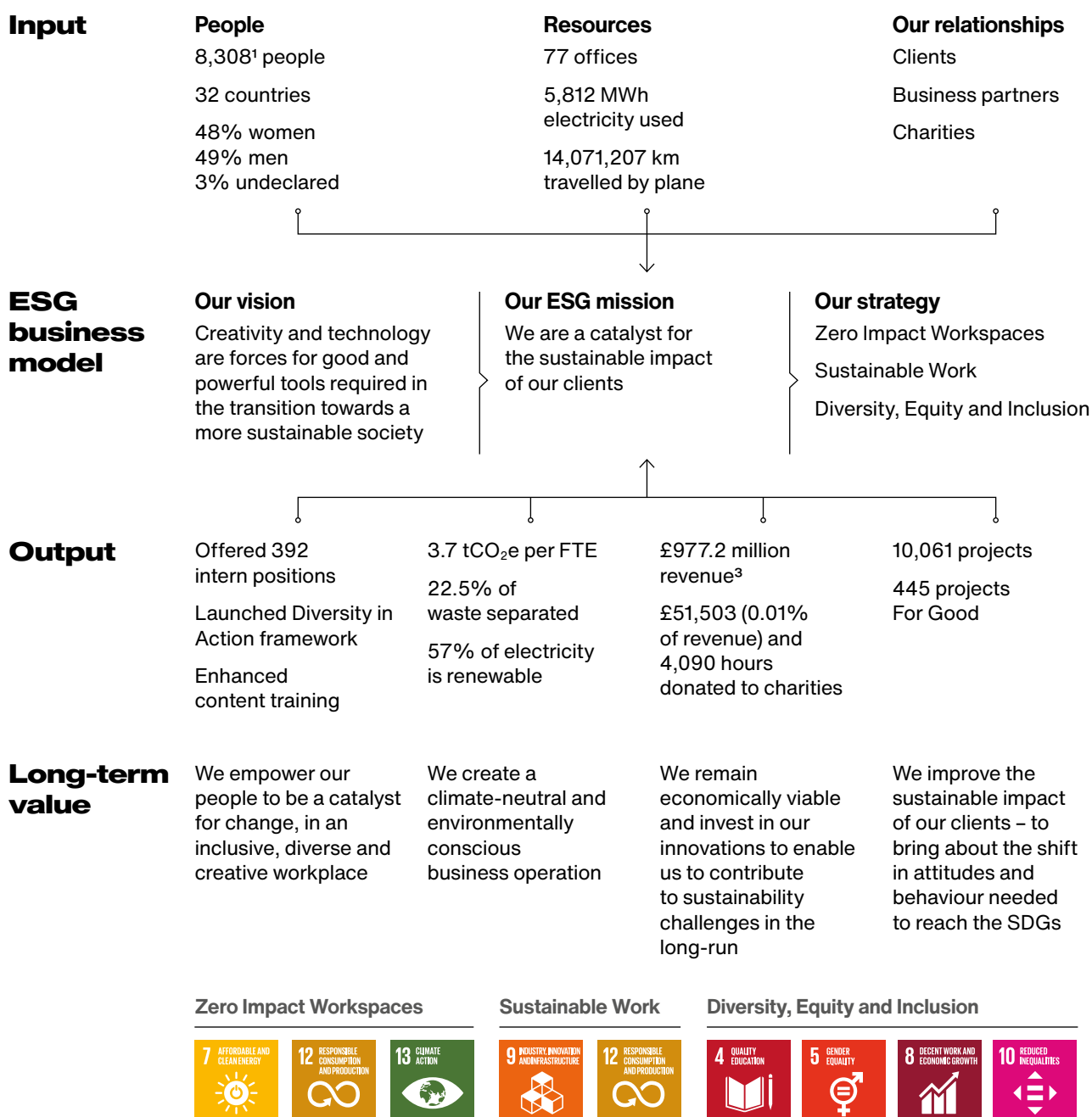
Intentionally work towards balanced representation, taking into consideration the diversity of the places around the world where we operate.

[Read more on page 57](#)

## Our impact model

The impact model below explains how our sustainability strategy, our activities and the resources we utilise each lead to our ultimate impact goal. It visualises how we create added value not only now, but also in the long term.

Significant positive impact can be found in our work for clients, ranging from awareness raised on social topics to changed consumer behaviour. We are actively working to decrease this negative impact of our business operations and increase our positive added value through our creative work. ►



### Notes:

1. Full time equivalent (FTE) people excluding contractors, contingent workers and interns.
2. Revenue excluding current year acquisitions of XX Artists, TheoremOne and 4 Mile.

## TCFD Report

The S<sup>4</sup>Capital Board has overall responsibility to assess the basis on which the Company generates and preserves value over the long term, including the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy.

In line with the 'Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and Listing Rule LR 14.3.27R, S<sup>4</sup>Capital has provided information to stakeholders on its climate-related risks and opportunities and relevant governance structures, in turn helping them to make informed decisions. We set out below our climate-related financial disclosures consistent with all the TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures and report on all greenhouse gas Scopes, 1, 2 and 3. For Scope 3 we have examined all the 15 categories to determine the material categories that we include in our reporting. This has been consistent with our 2021 annual ESG Report. Each year we will reassess all categories and decide which ones are material for our organisation to report on. When a category becomes a material category for reporting, this category will be part of our next year's annual reporting. For 2022 we are reporting on six out of 15 Scope 3 categories: Purchased Goods and Services, Capital Goods, Fuel- and Energy-related activities (not included in Scope 1, 2), Waste generated in operations, Business Travel and Employee Commuting.

We set out below our climate-related financial disclosures consistent with all of the TCFD recommendations as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with consideration of the additional guidance in 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', 2021.

While we consider ourselves compliant with Strategy (a) and (b), further work is underway to enhance the quantification of risks and opportunities and to determine financial impacts. Details on the 11 recommended disclosures can be found at the following pages:

Recommendation	Recommended disclosures	Reference
<b>Governance</b> Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Page 41
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 42
<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Page 42
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Page 44
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Page 43
<b>Risk management</b> Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 44
	b) Describe the organisation's processes for managing climate-related risks	Page 44
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Page 44
<b>Metrics and targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 48
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 51
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 48

## Governance

### Board level

The S<sup>4</sup>Capital Board has overall responsibility to assess the basis on which the Company generates and preserves value over the long term, including the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. The Board is supported and informed on climate-related issues by various channels, including the Audit and Risk Committee and Nomination and Remuneration Committee. With assistance and information from the ESG Executive Committee, the Board sets the Group's targets in relation to climate change and will monitor implementation of climate change mitigation projects and activities.

As the designated Executive Director for ESG-related matters, Victor Knaap provides an operational and strategic channel to the Board on climate change matters, and takes overall responsibility for climate and other sustainability issues. Additionally, the Board's discussions on climate-related issues are led by Non-Executive Director, Miles Young, who presents to the Board at least twice a year on climate-related developments. He is supported in at least one of these meetings by Regina Romeijn, the Global Head of ESG.

ESG risks, including climate change, are periodically discussed by the Board alongside the review of overall principal risks. On a monthly basis, updates on ESG matters are provided to the senior leadership via scheduled performance meetings; additionally a full overview of ESG performance is conducted biannually with the Board. Progress against climate-related targets and metrics, such as the Board-approved 2040 net zero target, is monitored and overseen by the Board based on information provided by the ESG Steering Committee.

The Audit and Risk Committee has responsibility for maintaining and reviewing the Group's register of risks covering all areas of the business, including sustainability-related risks and particularly those relating to climate risk. The Committee meets at least three times each year to review all risks, referring key matters to the Board.



### ESG Executive Committee

The ESG Executive Committee comprises three Executive Directors and the General Counsel and Head of Compliance. The Committee is chaired by Victor Knaap, who is the Executive Director with primary responsibility for ESG matters within the Group.

The Committee has responsibility for ensuring that the Group's ESG priorities are aligned with, and integrated into, the Group's overall business strategy. This will include ensuring that progress towards the Group's ESG ambitions are appropriately resourced and included within the Group's financial planning processes which include the annual budget, which is re-forecast on a quarterly basis, and the three-year financial plan. Miles Young will attend the ESG Executive Committee periodically.

### Management level

In 2022, the Group established the management-level ESG Steering Committee to manage climate-related risks and opportunities, ensure appropriate reporting to the Board, and oversee gathering of data from across the Group to measure progress against targets. Chaired by Regina Romeijn, Global Head of ESG, the Committee is a cross-functional team with representation from finance, legal, HR, operations, business and real estate. ►

## TCFD Report continued

The ESG Steering Committee meets quarterly, or more frequently if required, to ratify the data and information, for instance emissions and energy consumption, that flows up to the ESG Executive Committee, which takes overall responsibility for setting the Group's sustainability strategy. The strategy will be conveyed to the ESG Steering Committee and approved by the Board on an annual basis.

Progress and measurement against climate-related targets is incentivised at the executive level through metrics applied under the Directors' Remuneration Policy. In 2021, the Nomination and Remuneration Committee set an annual maximum climate-related bonus opportunity available to Executive Directors at 5% of the total bonus package.

### Risk management

Climate-related risks and opportunities relevant to S<sup>4</sup>Capital were identified with the help of external consultants, CEN-ESG, and refined through consultation with internal stakeholders and senior management. S<sup>4</sup>Capital's climate-related risk management is integrated into the Group's overall risk management framework, and assessed in the same manner as other Group risks.

Risks and opportunities were considered in all physical and transition risk categories, current and emerging, whether they occur within the Group's own operations or upstream and downstream of the Group, and whether they occur within the short, medium or long-term time horizons. Climate-related risks have been classified as per S<sup>4</sup>Capital's existing risk management model, which will allow for the integration with the existing risk matrix, as recommended under TCFD guidelines.

Magnitude	Low	Medium	High
<b>Impact</b>	Immaterial impact on the business: no regulatory impact, immaterial financial loss, immaterial impact on the operations of the business or key clients.	Moderate regulatory impact, impact on relationships with clients which does not affect the strategy or financial health of the business, moderate impact on operations (minor disruption of services, no major loss of personnel).	High potential for disclosure to the market, high likelihood for significant fall in share price, loss of key client (or a group of clients), significant impairment of business operations (closure or suspension of business operations, high staff turnover, or loss of key personnel).

Substantive impacts are those that would have a significant adverse impact on the Group's business, materially affecting its business model, future performance, solvency, liquidity or reputation. Any mitigation factors for climate-related risks are also included in the Group Risk Register, if relevant and material enough. Risks are subject to continual refinement and quantification over time, which assists with incorporation of climate-related risks into the overall strategy, budgeting and financial statements.

### Strategy

S<sup>4</sup>Capital recognises that climate change presents both risks and opportunities to our business. Overall, we consider our climate exposure to be low, and in isolation the impact of most climate-related risks is limited. Having considered the below risks and opportunities, we conclude that the Group's strategy is resilient to climate change, with financial impacts classified as low, with moderate at worst. Mitigating actions are in place or planned to further reduce and minimise the impact of these risks. Any impact will be accommodated into business-as-usual activity, so no fundamental change to the business strategy or budgets resulting from climate change is likely to be required in the foreseeable future. In addition, there are no effects of climate-related matters reflected in judgments and



estimates applied in the financial statements. S<sup>4</sup>Capital has committed to a net zero carbon future and is in the process of establishing a transition plan to achieve that.

We have used scenario analysis to improve our understanding of the behaviour of certain risks under different climate outcomes, which helps to assess the resilience of the business to climate change. Accordingly we have selected three scenarios, looking forward to 2050:

- **Net Zero 2050 (NZE)**<sup>1</sup> A normative scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO<sub>2</sub> emissions by 2050, whereby globally temperatures rise by 1.5°C by 2100 from pre-industrial levels, with 50% probability. It does not rely on emissions reductions from outside the energy sector to achieve its goals.
- **Stated Policies (STEPS)**<sup>1</sup> The roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by 2.6°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a mid-way pathway with a trajectory implied by today's policy settings.
- **RCP 8.5**<sup>2</sup> Where global temperatures rise between 4.1-4.8°C by 2100. This scenario is included for its extreme physical climate risks as the global response to mitigating climate change is limited.

The assumptions and limitations of scenario analysis are as follows:

1. Scenario analysis requires analysis of specific factors and models them with fixed assumptions.
2. It is assumed S<sup>4</sup>Capital has the same carbon footprint and the same business activities in the future as are in place today.
3. Impacts are to be considered in the context of current financial performance and prices.
4. Impacts are assumed to occur without the Group responding with any future mitigation actions, which would reduce the impact of risks.
5. The analysis considered each risk and scenario in isolation, when in practice climate-related risks may occur in parallel as part of a wider set of potential global impacts.
6. Carbon pricing was informed by the Global Energy Outlook 2022 report from the International Energy Agency (IEA).

For the relevant risks set out on page 44, we have determined quantifiable impacts where the underlying data is available and where the current understanding of the risk is robust. Scenarios have been supplemented with additional sources that are specific to each risk to inform any assumptions included in projections. Having assessed the behaviour of these risks under different scenarios, we are satisfied that our risk mitigation strategies and action plans provide sufficient financial resilience to climate change. ►

1. IEA (2021), World Energy Outlook 2021, IEA, Paris <https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes>.

2. IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

# TCFD Report continued

## Risks

Four key climate-related risks have been identified. These risks have been assessed in isolation and categorised as low impact. The Group acknowledges that the cumulative impact could be greater if more than one of these risks were to manifest at the same time. These are discussed in greater detail below.

Risk	1. Carbon pricing in own operations	2. Reputational risks	3. Extreme weather events	4. Regulatory and industry standards
<b>Type</b>	Transition (emerging regulation)	Transition (reputation)	Physical (acute and chronic)	Transition (current regulation)
<b>Area</b>	Own operations	Downstream	Own operations	Own operations
<b>Primary potential financial impact</b>	Increased indirect (operating) costs	Decreased revenues due to reduced demand for products and services	Increased indirect (operating) costs	Decreased access to capital
<b>Time horizon</b>	Short term	Short term	Medium term	Short term
<b>Likelihood</b>	More likely than not	Likely	Unlikely	Likely
<b>Impact</b>	Low	Low	Medium-low	Low
<b>Location or service most impacted</b>	Global	Global	Shanghai Maharashtra Selangor	Global

### 1. Carbon pricing in own operations

The cost of carbon and the number of countries adopting carbon price mechanisms is expected to rise as businesses are made more accountable for their energy use and carbon emissions. The International Energy Agency (IEA) forecasts that carbon prices (US\$/tCO<sub>2</sub>e) and their implementation globally are projected to rise, with particularly significant increases under the Net Zero 2050 (NZE) scenario whereby global temperature rise is

limited to 1.5°C through proactive government interventions and international collaboration. Increased carbon prices would lead to an increase in the costs to the Group either in the cost of power, carbon offsets or carbon taxes based on our Scope 1 and 2 emissions. Additionally, unforecasted and abrupt increases to carbon prices during a disorderly transition to net zero may cause a particularly significant financial shock to companies that are decarbonising slowly.

Carbon prices (US\$/tCO<sub>2</sub>e) under NZE and STEPS are projected to increase as below.

	Carbon price estimates (US\$/t) <sup>1</sup>		
	2030	2040	2050
<b>Scenario – STEPS</b>			
EU (as worst case)	90	98	113
Global average	45	58	72
<b>Scenario – NZE</b>			
Advanced economies	140	205	250
Global average	85	150	210

**Note:**

1. Used as Global est. Source: IEA (2022), World Energy Outlook 2022, <https://iea.blob.core.windows.net/assets/c282400e-00b0-4edf-9a8e-6f2ca6536ec8/WorldEnergyOutlook2022.pdf>

In the table below we calculate the impact of carbon prices on FY 2022 Scope 1 and 2 emissions under NZE and STEPS, using a global average of carbon price estimates. We assume tax on 100% of Scope 1 and full pass through from electricity providers. This projection takes into account that under the optimistic NZE scenario, residual Scope 2 emissions are reduced to zero from 2040 and only Scope 1 emissions remain consistent. However, as noted in the assumptions and limitations section, these projections assume that S<sup>4</sup>Capital's business activities and carbon footprint will stay the same, whereas the achievement of the Group's net zero target should entail that both Scope 1 and 2 emissions are effectively reduced to 0 by 2040. Therefore this table gives an approximate indication of taxes incurred if the Group's Scope 1 emissions are not reduced and net zero targets are not achieved.

	FY 2022 (tCO <sub>2</sub> e)			STEPS Scenario (US\$)			NZE Scenario (US\$)		
	Scope 1	Scope 2	Total	2030	2040	2050	2030	2040	2050
Global	4,581	1,024	5,605	240,633	295,061	359,953	452,321	687,150	962,010

S<sup>4</sup>Capital can potentially mitigate the impact of carbon pricing through self-generation of electricity on its estate, whilst simultaneously reducing operational cost and cost exposure to energy price fluctuations. We will consider broadening the renewable energy share in our own energy mix by moving our offices to buildings run by renewable energy when possible, which has increased our total renewable energy usage to almost 60% in 2022. Where possible we seek to reduce our Scope 1 and 2 emissions to minimise the potential additional operating costs resulting from the projected carbon price scenarios. For instance, in 2021 we signed The Climate Pledge, with a mission of reaching net zero carbon emissions by 2040 and therefore have zero emissions to tax.

The Group takes sustainability into consideration in selecting and integrating new offices, and in 2021 circulated a questionnaire regarding measures taken, such as procurement of green energy or LED lighting installations. Where possible we seek to move to green certified buildings, and compensate for the remaining emissions. Additionally, we seek to reduce the percentage of ICE vehicles in our fleet by continuing to reduce our fleet as much as possible to none, and transition existing vehicles to hybrid or electric. At the time of writing 20 of our 28 leased fleet are ICE vehicles.

## 2. Reputational risks

We operate in highly competitive markets, where consumer behaviour, needs and demands are evolving in reaction to climate change. Corporate and consumer activism increasingly presents a risk to companies with weak sustainability credentials and/or performance. Indeed, some clients incorporate

sustainability requirements into their tenders, and require supplier carbon assessments. Almost all clients take into account sustainability credentials, pledges, agreements, ESG related KPIs and commitments as part of the RFI/RFP process. Some existing clients ask S<sup>4</sup>Capital to report on EcoVadis, CDP, Supplier. io, B Corp status, SBTi; there is a minor risk that not reporting or poor performance against ESG frameworks may make the Group a less attractive business partner or supplier.

S<sup>4</sup>Capital is targeting net zero emissions by 2040; the failure to meet this or other emissions targets would potentially affect the credibility of our ESG strategy and cause some reputational damage to the Group. Even if the Group sufficiently reduces our emissions in our direct operations, there is a risk of our data server supplier not adequately decarbonising in time. However, this is not deemed a significant risk given the time-frame for decarbonisation. Real or perceived irresponsible practices on the part of S<sup>4</sup>Capital, or 'greenwashing', may also limit new business and hamper revenue generation, and failure to react appropriately and rapidly to changes in client behaviour may result in the erosion of our client base. Competitors are increasingly making progress on sustainability, and market their credentials. Reputational damage may lead to financial losses, decreased access to capital, or loss of market share to competitors.

Quantification of this risk impact is difficult, but we nevertheless expect our exposure to be low in light of our commitment to transparency and our ambition to be at the forefront of the sector with respect to our sustainability initiatives and reporting. S<sup>4</sup>Capital screens new clients that may be especially exposed to transitional climate risks or public controversy, and to ensure that any consequent risks that ►

## TCFD Report continued

arise are proactively managed. For instance we have now transitioned out of all Oil and Gas clients. Additionally, the Group's Sustainable Procurement Policy that we have now drafted sets out our requirements for suppliers, and we engage with our main clients and suppliers to determine their performance against various environmental metrics, their quantitative climate targets, and submissions to CDP. This screening is in the process of refinement and is likely to become stricter in the future, but already excludes clients in specific unethical, controversial or environmentally damaging industries.

Given the diversity of our client base and the various industries we serve and the consideration we take in selecting our client base, it is generally possible to contain the impact. We believe that the potential for negative reputational concerns is well mitigated. We have made strides to demonstrate our consideration of ESG issues, such as by becoming the first advertising and marketing firm to commit to Amazon's The Climate Pledge, and by making a commitment to increase progress towards gaining B Corp certification by 2023. Additionally, the Group has an internal reputational risk crisis expert to manage the potential negative reputational effects that may arise from our work.

### 3. Extreme weather events

While extreme weather events have not previously affected the Group, with offices in 30 countries in 2022 and an agenda for expansion, we may face increased physical risks from climate change such as issues including rising sea levels and flooding. These risks may be especially acute under a RCP 8.5 scenario, in which global temperatures rise between 4.1-4.8°C by 2100.

Flood risk may affect operational/office capability, but our asset risk is limited due to our locations being leased premises for the most part. Notably, according to tools such as WWF Water Risk Filter and WRI Aqueduct, some of our sites are in areas at high or very high risk of coastal or fluvial flooding, namely those in Shanghai, Maharashtra and Selangor. Flooding or other weather events in these areas may have a number of negative effects; for instance, the temporary closure of offices or damage to regional infrastructure may temporarily cause reduced productivity and revenue, and/or require the relocation of personnel to other offices.

Further, property damage may lead to increases in insurance premiums, or indirect costs where lessors pass on the costs of their increased insurance premiums to lessees.

The Group's diversified portfolio of offices across the world reduces its overall vulnerability to localised flooding events, and most of our sites are leased, resulting in limited asset risk to S<sup>4</sup>Capital. The risk of operational disruption from coastal or fluvial flooding and other acute physical risks is largely mitigated by the ability to adopt remote working, initiated by the covid-19 pandemic, which would reduce service disruption and allow the Group to recoup any losses incurred to local business operations. Ordinarily, the Group facilitates flexible working arrangements, with the expectation that 40% of the working week will be from employees' homes. Further, consideration of chronic physical risks will inform future real estate strategy decisions, taking into consideration energy-efficiency measures and proximity to areas at risk of sea level rise and other chronic risks.

### 4. Regulatory and industry standards

Sustainability reporting requirements are consolidating at a fast pace and may become especially rigorous under scenarios involving proactive government intervention to meet emissions reductions targets, such as the NZE scenario. As a relatively new Company undergoing rapid expansion, the tightening of climate-related regulation may constitute a risk to the Group if it does not maintain the appropriate internal controls to facilitate timely and accurate reporting. Failure to meet ESG reporting obligations may dissuade potential investors or incur penalties from regulators.

The Group's control systems, processes and governance arrangements are continually developing to ensure accurate collection of relevant ESG metrics and regulatory compliance. We have processes to monitor regulatory requirements in place, and continue to follow developments in ESG frameworks, such as the ISSB body to create a global baseline for sustainability-related disclosure standards. In 2021, we signed the Commitment Letter of the World Economic Forum, reflecting our commitment to the global alignment effort on ESG Reporting and to the Stakeholder Capitalism Metrics Initiative (SCMI).

## Opportunities

Opportunity	1. Use of lower-emission sources of energy	2. Development and/or expansion of low emission goods and services	3. Access to new markets
Type	Energy source	Products and services	Products and services
Primary potential financial impact	Reduced indirect (operating) costs	Increased revenues resulting from increased demand for products and services	Increased revenues resulting from increased demand for products and services
Time horizon	Short term	Short term	Short term
Likelihood	Likely	Likely	More likely than not
Magnitude	Low	Low	Low

### 1. Use of lower-emission sources of energy

Through carbon reduction initiatives S<sup>4</sup>Capital has the opportunity to decrease its energy use. The Group sees power purchasing agreements for renewable electricity as a further opportunity to reduce our emissions intensity. This will decrease the Group's exposure to energy costs and limit the potential impact of any carbon pricing mechanisms on the Group.

Additionally, by investing in resource efficiency and energy use the Group may benefit from lower and more stable operating costs. The Group is also increasing the share of electric cars in our leased fleet, and where possible seeks to use more sustainable travel options.

As offices are largely leased, the strategy to realise this opportunity will partly involve engagement with landlords to introduce energy-saving measures. Best practices in energy management with current offices will also factor in reducing energy consumption. Alternatively, the Group may have the opportunity to move to more efficient buildings or green certified offices at the time of lease renewal, and compensate for the remaining emissions. At present, around 80% of our offices make use of LED lighting, and we continue to seek other opportunities for energy efficiency in areas including business travel, vehicle fleet and refrigerants.

Additionally, we are piloting a tool to make stored presentations in our cloud smaller to reduce the energy used for storage of our Company files that include imagery, video, GIFs and more.

### 2. Development and/or expansion of low emission goods and services

Enhancing S<sup>4</sup>Capital's environmental credibility through improved practices and transparency of reporting may lead to new revenue opportunities from environmentally-conscious commercial partners (Purpose-driven clients). Banks analyse publicly-available data through non-financial ESG reporting frameworks, such as MSCI.

A number of actions are being implemented that may differentiate S<sup>4</sup>Capital from its sector peers. For instance, we are taking steps towards B Corp certification across the whole business by 2023, which would present an opportunity to become a sustainability leader among advertising agencies. Further, we seek to reduce emissions from our digital products and shoots wherever possible, thereby reducing the ecological footprint of our output.

S<sup>4</sup>Capital actively advertises its climate and ESG credentials in pitches to clients, and is able to offer clients real-time tracking of ESG metrics associated with a campaign, such as total carbon emissions generated and offsetting possibility.

### 3. Access to new markets

New lines of business related to sustainability, such as expanding sustainability consultancy/advisory work, represents an opportunity to capitalise on growing climate-awareness among clients and grow revenues from products/services that support their sustainability ambitions. We see additional net revenue of nearly £20 million from a base of £23 million, for our 2022 'Delivered For Good' projects. ■

# Material impact and our stakeholders

In 2021 and 2022 we began to integrate sustainable production solutions more systematically into the work we produce for clients, so that – as a responsible value chain partner – we are doing what we can to help our clients achieve their sustainability goals. As a member of AdGreen, we seek to reduce the negative environmental impacts of products through sustainable film shoots, and have the ability to conduct carbon neutral shoots for clients.

## Metrics and targets

The Group has established clear targets related to climate change, in line with the UK Government's commitment to net zero by 2050.

These include the Group's target to reduce absolute Scope 1-3 emissions to net zero by 2040. Scope 3 emissions, including activities of third parties and objects not owned by S<sup>4</sup>Capital including business flights and daily commutes of our people, represent the largest contribution to our CO<sub>2</sub> emissions. We report on our material Scope 1, 2 and 3 emissions, emissions intensity and energy consumption. For Scope 3 we have analysed all 15 categories and identified six out of 15 material categories that we report on: purchased goods and services; capital goods; fuel- and energy-related activities (not included in Scope 1, 2); waste generated in operations; business travel; and employee commuting.

Whilst recognising the recommendation to integrate an internal carbon price, this is currently deemed unnecessary and immaterial to the business because S<sup>4</sup>Capital is not a carbon intensive business. We may consider its use in the future, for instance in assessing large capex and investment activities.

Topic	Unit	Metric	Target /KPI	Link to risks and opportunities
<b>Absolute Scope 1, 2 and 3 emissions</b>	tCO <sub>2</sub> e	Absolute Scope 1, 2 and 3 emissions (location based)	Net zero, 2040 50% reduction in business travel emissions by 2040	Risk 1
<b>Tracking of external ESG ratings (e.g. CDP, EcoVadis, MSCI)</b>			YoY improvements	Risks 2, 4 Opportunity 2
<b>Total energy consumption</b>	kWh	Total energy consumption	All lights upgrade to LED in 2040	Risk 2
<b>Transition to renewable electricity</b>	% and kWh	% and kWh of electricity consumption sourced from green tariffs and/or energy attribute certificates	All offices change to green energy in 2040	Risk 2 Opportunity 1
<b>Percentage and number of ICE vehicles in leased vehicle fleet</b>	% and number	% and number of vehicles by fuel type (BEV, PHEV/ HEV, ICE)	100% renewable energy powered cars by 2030	Risk 2
<b>Energy costs as percentage of total costs</b>	%		100% contracts renewable energy by 2030	Risk 2 Opportunity 1
<b>Net revenue from 'For Good' projects, and as % of total revenue</b>	£ and %	Net revenue from For Good projects and as % of total revenue (all projects, paid, discounted, pro bono)	10% of total revenue from For Good projects in 2040	Opportunity 3
<b>Net revenue from Purpose-driven client projects, and % of total revenue</b>	£ and %	Net revenue from Purpose-driven client projects and as % of total revenue	10% of revenue from Purpose-driven client projects in 2040	Opportunity 2



To develop our sustainability strategy, we spoke with our key stakeholders – people, investors, suppliers and clients – and considered the Sustainable Development Goals (SDGs) to determine where we could make a positive, material impact on the planet, climate and society.

In assessing materiality impact in 2022, we introduced new ESG-related topics (e.g. community volunteering and donations) into our survey and grouped some (e.g. biodiversity and water) into bigger topics (e.g. climate change) based on the results of last year's survey and the relevancy for our business. This year we see a slight shift in the priority for our people on many ESG topics, with those in the upper right corner – high impact items – serving as the backbone of our sustainability strategy. Most significantly our people have indicated an increase in awareness of ESG Impact.

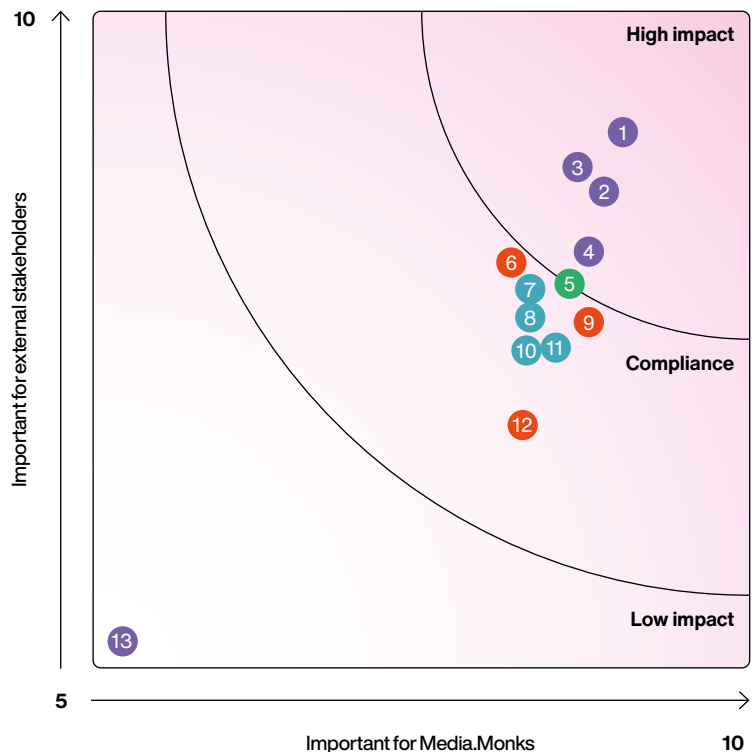
In 2021, climate change, sustainable innovation and technology, and diversity and inclusion were the only three high impact topics for our people. This year, we've seen more ESG-related topics becoming important, including community volunteering and donations and sustainable sourcing.

Hundreds of our people gathered worldwide to donate nearly £10,000 to Ukrainians who are on the front line. The Group also raised and donated £14,000 to people in need who were affected by the catastrophic floods in Pakistan.

The Media.Monks materiality matrix table (right) is based on our survey of our people, clients and suppliers. It shows they value our focus on Talent Development & Training (2), Diversity, Equity and Inclusion (3) and highlights the responsibility we have within our industry to foster ethical and responsible marketing (1).

This response signals a clear message: take care of our people and be mindful of our impact in the industry and beyond.

## Media.Monks materiality matrix 2023



Zero Impact Workspaces	Sustainable Work
Diversity, Equity and Inclusion	Part of overall Media.Monks strategy, not part of ESG strategy

### High impact

1. Ethics and responsible marketing
2. Talent development and training
3. Diversity and inclusion
4. Working conditions (HR)
5. Privacy and data protection

### Compliance

6. Impact work
7. Climate change
8. Sustainable workplaces
9. Sustainability innovation and technology
10. Waste and resource scarcity
11. Sustainable sourcing
12. Community volunteering and donations

### Low impact

13. Health and wellbeing



## Zero Impact Workspaces

### Our environmental commitments

In 2022, we matured in calculating our impact on the planet by committing to the SBTi's (Science Based Targets initiative) Corporate Net-Zero Standard.

Previously, in both 2020 and 2021 – which was the second time we calculated our CO<sub>2</sub> footprint at a Group level – we followed the GRI Reporting Standard (2016) guidance on Climate Change and Environment (302:Energy and 305:Emissions), together with TCFD requirements on metrics and targets.

In early 2022, we aimed to better understand our actual impact and craft more effective strategies through the more stringent, science-based framework, with a goal of formally committing to SBTi standards. First, we needed to recalculate our 2021 GHG emissions according to SBTi's Corporate Net-Zero Standard. In the process, we learned that we needed to add more GHG metrics to measure our environmental impact more rigorously and credibly to ensure we were setting meaningful and actionable decarbonisation targets. We formally signed our SBTi commitment letter in December 2022.

We calculated our emissions in accordance with the GHG Reporting Protocol – Corporate Standard. For the CO<sub>2</sub> calculations we used accurate data where possible, and in some cases used estimates based on extrapolation. We took a sum of all relevant data from offices with actual data, and extrapolated based on headcount and square metres. For commuting data, we distributed a global survey and used the outcome to extrapolate commuting data for all of our people.

#### Performance metrics

Compared to our 2021 GHG disclosure, our SBTi Baseline for 2021 introduced three additional GHG metrics: 'refrigerant leakage' (Scope 1), as well as 'capital goods' and 'purchased goods and services' (both Scope 3). We identified that the GHG from these three new metrics accounted for a substantial 83% of our recalculated GHG emissions in 2021. This explains the significant difference between our GHG disclosures in the 2021 ESG Report and the 2021 SBTi Baseline.

For 2022, we continued measuring our GHG emissions using the SBTi's Corporate Net-Zero Standard. The table on page 51 shows our performance in 2022 compared to our SBTi Baseline for 2021, to ensure a better comparison of our performance year by year and the consistency of methods recruited in gathering the data.

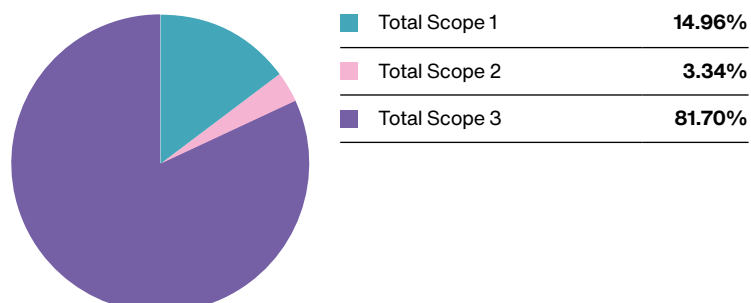
We have seen a growth of 30% in our workforce, we added 13 more offices and are operating in five additional countries. Given our hybrid working model, we have seen our people returning to our workplaces which will result in more commuting and utility usage, adding to the absolute CO<sub>2</sub> results.

As the first in our industry to sign The Climate Pledge, we have committed to reaching net zero by 2040 to do our part in holding global warming below 1.5 °C. This will bring us on par with net zero targets that we have committed to via the SBTi letter of commitment, with an overall target of reaching net zero by 2050. We know we can make an impact in that ambition by adjusting our operations and have identified targets for potential emission reduction of up to 42% over the course of 10 years via our SBTi commitments. ►

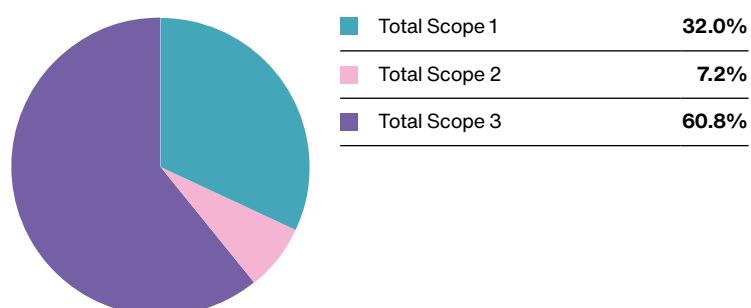
#### SDGs



Total emissions 2022 per Scope %



Total emissions 2021 per Scope %



## Greenhouse gas emissions per Scope, 2022 vs 2021: Media.Monks global

Scope	Category	tCO <sub>2</sub> e 2022	tCO <sub>2</sub> e / FTE 2022	% of scope 2022	% of total 2022	tCO <sub>2</sub> e 2021	tCO <sub>2</sub> e / FTE 2021
<b>Scope 1</b> Direct emissions	Natural gas	1,710	0.21	37.3%	5.6%	201	0.03
	Company cars	84	0.01	1.8%	0.3%	29	0.0049
	Refrigerants	2,787	0.34	60.9%	9.1%	407	0.07
	<b>Total Scope 1</b>	<b>4,581</b>	<b>0.55</b>	<b>100%</b>	<b>15.0%</b>	<b>637</b>	<b>0.11</b>
<b>Scope 2</b> Indirect emissions	Direct heating	32	0.00	3.2%	0.1%	20	0.0034
	Electricity – grey	991	0.12	96.8%	3.2%	561	0.10
	<b>Total Scope 2</b>	<b>1,024</b>	<b>0.12</b>	<b>100%</b>	<b>3.3%</b>	<b>581</b>	<b>0.10</b>
<b>Scope 3</b> Other indirect emissions	Purchased goods and services	7,267	0.87	29.0%	23.7%	6,680	1.14
	Capital goods	8,612	1.04	34.4%	28.1%	4,644	0.79
	Fuel- and energy-related activities	575	0.07	2.3%	1.9%	238	0.04
	Waste generated in operation	337	0.04	1.3%	1.1%	78	0.01
	Business travel (uber + train + plane)	4,987	0.60	19.9%	16.3%	650	0.11
	Employee commuting	3,245	0.39	13.0%	10.6%	581	0.10
	<b>Total Scope 3</b>	<b>25,022</b>	<b>3.01</b>	<b>100%</b>	<b>81.7%</b>	<b>12,871</b>	<b>2.19</b>
<b>Total CO<sub>2</sub> emissions</b>		<b>30,627</b>	<b>3.69</b>	<b>–</b>	<b>100%</b>	<b>14,089</b>	<b>2.40</b>

## Zero Impact Workspaces continued

### Our performance

In 2022 we experienced higher tCO<sub>2</sub>e/FTE due to increases in several categories: natural gas, capital goods and employee commuting. In 2022 many of our people returned to the workplace, compared to 2021, when lockdowns were still in effect in almost all countries worldwide.

We transitioned from non-renewable energy to renewable energy as much as possible. Indeed, almost 60% of our energy use was from renewable sources. This number has doubled compared to 2021. When the option exists we make sure to have our new offices run on renewable energy. At some locations we made the decision to move our teams to offices where renewable energy is offered by the landlord, such as the move from our offices in Paris and London from an old building to a modern building run on 100% renewable energy by 2040.

With the majority of our offices located in shared building or co-working spaces, it is still a challenge for us to be able to measure our actual waste consumption and the ability to intervene in finding a systematic solution for waste recycling. We are highly dependent on our landlord for local waste solutions. Much of our waste is still measured manually or extrapolated based on our local team's estimation.

To calculate our potential refrigerant leakage, we followed UK Government - Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, March 2019 (Updated Introduction and Chapters 1 and 2). Compared to 2021, this number has significantly increased. This can be explained by the expansion of our team with offices in hot-weather countries where refrigerant systems are an essential part of the workspaces, like Brazil (Raccoon Group) and Colombia (Zemoga). ►

### Streamlined energy and carbon reporting for Media.Monks UK from 2020-2022

	kWh	kgCO <sub>2</sub> e	kWh/FTE	Kg CO <sub>2</sub> /FTE
<b>UK energy data 2020</b>				
Gas	38,285	7,435	363	71
Electricity	57,519	10,695	546	101
<b>UK energy data 2021</b>				
Gas	77,468	15,036	525	102
Electricity	81,106	15,049	550	102
<b>UK energy data 2022</b>				
Gas	4,737,006	918,574	16,335	3,167
Electricity	1,516,204	2,777	5,228	10
<b>% difference 2022 over 2021</b>				
Gas	6,015%	6,009%	3,009%	3,009%
Electricity	1,769%	-82%	850%	-91%

## Greenhouse gas emissions per Scope, 2022 vs 2021

General metrics	Media.Monks global 2022 (tCO <sub>2</sub> )	Media.Monks UK only 2022 (tCO <sub>2</sub> )	% of Media.Monks global
<b>FTEs</b>	<b>8,308 FTEs</b>	<b>290 FTEs</b>	<b>3%</b>
<b>Office surface</b>	<b>69,855 m<sup>2</sup></b>	<b>4,187 m<sup>2</sup></b>	<b>6%</b>

Scope 1 Direct emissions	Media.Monks global 2022 (tCO <sub>2</sub> )	Media.Monks UK only 2022 (tCO <sub>2</sub> )	% of Media. Monks	Media.Monks global 2021 (tCO <sub>2</sub> /FTE )	Media.Monks UK only 2021 (tCO <sub>2</sub> /FTE )
Natural gas	1,710	919	54%	0.21	3.17
Company cars	84	0	0%	0.01	0.00
<b>Total Scope 1</b>	<b>1,793</b>	<b>919</b>	<b>51%</b>	<b>0.22</b>	<b>3.17</b>

Scope 2 Indirect emissions	Media.Monks global 2022 (tCO <sub>2</sub> )	Media.Monks UK only 2022 (tCO <sub>2</sub> )	% of Media. Monks	Media.Monks global 2021 (tCO <sub>2</sub> /FTE )	Media.Monks UK only 2021 (tCO <sub>2</sub> /FTE )
District heating	33	0	0%	0.004	0.00
Electricity – grey	991	2.8	0.3%	0.12	0.01
<b>Total Scope 2</b>	<b>1,024</b>	<b>2.8</b>	<b>0.3%</b>	<b>0.12</b>	<b>0.01</b>

Scope 3 Other indirect emissions	Media.Monks global 2022 (tCO <sub>2</sub> )	Media.Monks UK only 2022 (tCO <sub>2</sub> )	% of Media. Monks	Media.Monks global 2021 (tCO <sub>2</sub> /FTE )	Media.Monks UK only 2021 (tCO <sub>2</sub> /FTE )
Business flights	2,301	37	2%	0.28	0.13
Employee commute by car	2,356	0	0%	0.28	0.00
Employee commute by public transport	905	53	6%	0.11	0.18
Business travel on land	2,670	47	2%	0.32	0.16
Servers	29	0.1	0.3%	0.00	0.00
Waste	337	2	1%	0.04	0.01
Water	121	31	25%	0.01	0.11
<b>Total Scope 3</b>	<b>8,719</b>	<b>170</b>	<b>2%</b>	<b>1.05</b>	<b>0.59</b>
<b>Total tCO<sub>2</sub>e</b>	<b>11,536</b>	<b>1,092</b>	<b>9%</b>	<b>1.39</b>	<b>3.76</b>

**Note:**

UK employee server use attributed emissions are based on FTEs based in the UK, per average FTE global on server use (as servers are shared globally). Thus, UK based employees receive only their respective FTE share of emissions related to server use.

## Zero Impact Workspaces continued

### S<sup>4</sup> Forest

While our primary focus is on decarbonisation of our operations, for emissions we cannot yet decarbonise, we will continue to neutralise by offsetting. In 2022 our S<sup>4</sup> Forest initiative was in its second year of cultivation. Our goal has been to plant enough trees to offset average annual emissions of our people and, in partnership with Tree-Nation, through the end of 2022 we have planted 503,033 trees, reforesting over 300 hectares and capturing 43,479 tonnes of CO<sub>2</sub>.

In 2022, our offsetting efforts dedicated to reforestation programmes is to restore ecosystems, improve the livelihoods of local communities and help tackle climate change, namely: Eden Reforestation Projects in Nepal and Madagascar; Usambara Biodiversity Conservation in Tanzania; Trees for Tribals in India; Forest Garden Program in Senegal. 2022 total emissions of our people and operations will again be offset.

#### Total planted

**503,033**  
trees

#### Total reforested

**303**  
hectares

#### Total CO<sub>2</sub> captured

**43,479**  
tonnes

### What's next

With our hybrid work environments, we will be assessing occupancy rate per location to avoid any unnecessary footprint, and identifying how we might use our offices more efficiently including office redesigns and use of outdoor space.

When scouting new offices or replacing existing ones that do not meet our standard, we are creating a process to screen or select our office suppliers based on our Green Building Checklist. We are also in the process of formalising our green building policy.

Our travel policy is being updated in 2023 given the expansion of our global footprint with ongoing integration of recent combinations both for commuting and necessary travel related to client work.

There is increased focus on our position in the value chain as a supplier and for our suppliers and our procurement practices. We are currently in the midst of shaping our overall Sustainable Procurement Policy which includes guidelines for ensuring supplier diversity and sustainable purchasing. In the US and UK we report on our supplier diversity when requested by clients. Additionally, we serve clients by continuing to register with EcoVadis globally, under S<sup>4</sup>Capital plc. ■







## Sustainable Work

### Sustainable impact through our work

In our mission to reach net zero, we need to identify what impact we're having in our daily work and how to improve our methods and outcomes. Our aim is to:

1. Facilitate **greener productions** by reducing emissions of our digital productions, designing emission-reducing best practices and technologies, and offering clients sustainable solutions.
2. **Invest in the future of Sustainable Work**, and the future of our planet, through innovation and R&D.
3. **Maximise Purpose-driven impact** by empowering Purpose-driven clients, promoting For Good projects (with both environmental and social impact), fostering community involvement and outreach through donations and volunteer work, and promoting inclusive marketing.

#### SDGs



#### Our performance in 2022

	2022	2021	2020	% change 2021-2022
Total number of projects	<b>10,061</b>	14,331	7,800	-30%
Total registered For Good projects	<b>445</b>	251	41	77%
Net revenue from For Good projects	<b>£43,448,053</b>	£23,610,000	–	84%
% net revenue from For Good projects/total revenue	<b>4.45%</b>	4.21%	–	5%
Purpose-driven clients	<b>75</b>	69	–	9%
For Good projects for Purpose-driven clients	<b>274</b>	159	–	72%
Net revenue from Purpose-driven clients	<b>£31,917,969</b>	£13,950,000	–	129%
% net revenue from Purpose-driven clients/total revenue	<b>3.27%</b>	2.49%	–	31%
% of revenue from projects for alcohol and tobacco clients (tobacco clients: 0)	<b>1.94% of revenue</b>	0.93% of revenue	–	109%
Monetary donations to community and charity services	<b>£51,503</b> <b>0.01% of revenue</b>	£87,091 0.02% of revenue	£356,568 0.12% of revenue	-50%
Hours donated to community and charity services	<b>4,090</b>	1,460	–	180%
Innovation	<b>0.1% of revenue invested in innovation</b>	0.07% of revenue invested in innovation	1.23% of revenue invested in innovation	43%

# Sustainable Work continued

## Working for good

The total For Good projects, which include work for both our commercial clients and our Purpose-driven clients grew by 77% year-on-year. We delivered 445 For Good projects in 2022, 274 of them for Purpose-driven clients.

We leaned into supporting our people in giving time to charities and the community, affording them time during business hours for their work. As a result, hours donated by our people to community and charity services increased by 180% year-on-year. See page 64 for examples of community outreach and impact.

## Our performance:

- 455 For Good projects; 4.45% per total revenue; 77% increase of For Good projects YoY
- £51,503 donated by Media.Monks; 0.01% of total revenue; 4,090 hours of volunteering work

## Reducing our footprint

In our industry, Research and Development (R&D) plays a massive role in driving innovation by advancing the use of digital production technology and processes: creating more efficient and sustainable outcomes by reducing energy use and emissions, optimising resource use and reducing waste. R&D is also leading into more efficient digital practices, e.g. new systems to make better use of assets.

Our innovators and subject matter experts continue to bring new ideas and perspectives, allowing us to develop and deploy processes that reduce the environmental impact of our operations while increasing efficiency and profitability. In 2022, investment in Innovation grew 43% to 0.1% of revenue.

We use our Labs.Monks Sustainable Production report as a guidepost in our work, and every department plays a role in the sustainability of the products we create. Many of our web development projects use frameworks, essentially libraries of prewritten code that can be reused to optimise tasks, cutting down on development time and, naturally, the energy and emissions expended on any given project.

We continued our partnership with AdGreen in 2022, and became more knowledgeable on where we can make the biggest reduction impact. We started other collaborations with organisations like the Green Leaf Foundation, while our Labs.Monks continue to work on new tools, processes and solutions for internal and external use.

We have successfully started to take sustainable measures in our productions like waste management, eco-manager on set, recyclable cutlery and napkins, reduction of international travel, and using video-links and bundling productions to create efficiencies. There are still improvements needed to tackle travel and transport and on-site energy waste.

## Inclusive marketing

In 2022, we worked to embed inclusive marketing concepts into our creative and strategy processes and more than 150 creatives took part in ongoing internal training.

We helped a number of our global technology clients become more inclusive brands via internal brand strategies and training tools, and we are piloting an automated DE&I impact tool for our clients.

## Empowering Purpose-driven clients

The number of start-ups and social enterprises that address people and planet challenges using sustainable development business models is growing, and we would like to use our capabilities to amplify their purpose. We partner with Purpose-driven clients to promote content in empowering climate action, breaking social norms and gaining social justice.

## Our performance:

- 75 Purpose-driven clients
- 274 Purpose-driven projects
- 129% growth in net revenue from Purpose-driven clients YOY

## What's next

One of our biggest ambitions will be to look at reducing travel and on-site waste. We will continue to push our in-house studio solutions, our New Delhi Unreal Studio integrated production proposition, and offer video-links on location shoots. Evolving our film/post production initiative in the Netherlands, we are considering offering carbon offset as a default mode for clients globally.

We will continue to follow or partner with industry solutions that aim to reduce or measure the impact of our clients' campaigns. Our innovation teams are working on tooling to measure emissions of digital products and asset creation; our data team is continuously seeking solutions to create higher transparency and measurability.

We are working across capabilities to design more efficient and sustainable workflows that empower our people and clients with AI.



## Diversity, Equity and Inclusion

### Creating an inclusive culture

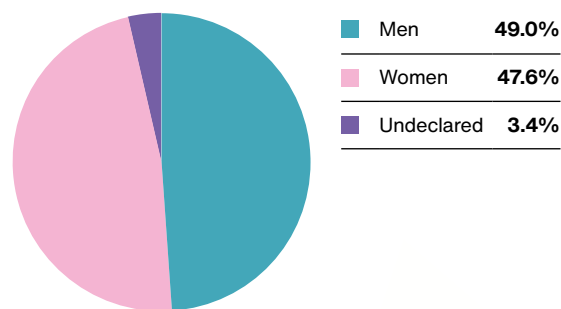
In a year of global and social conflict, we renewed our commitment to supporting our people around the world fulfilling the promise of being a people-first organisation.

We have made strides in our commitment to foster an environment of diversity, equity, inclusion and belonging by focusing on the following areas: gender equality and gender pay gap equality; ongoing learning opportunities via our internal content channel, the Shift; training and opportunities to accelerate women into leadership and management positions; and training of our people on DE&I foundations as well as anti-bias, ally-ship and cultural sensitivity; to name a few.

Our Global Code of Conduct sets out the standards and principles for every one of us, whatever our role is in the Group. We also set out to establish global norms and policies for our people in their daily work lives at Media.Monks by launching our first Global Employee Handbook.

We conducted employee engagement surveys in various locations around the world to gain insights into our people's day-to-day experience at Media.Monks. Surveys gauge sentiment around management and leadership effectiveness, inclusion and belonging, wellbeing, development and work alignment. ►

Gender balance of workforce



#### SDGs



### Our workforce and activities in 2022

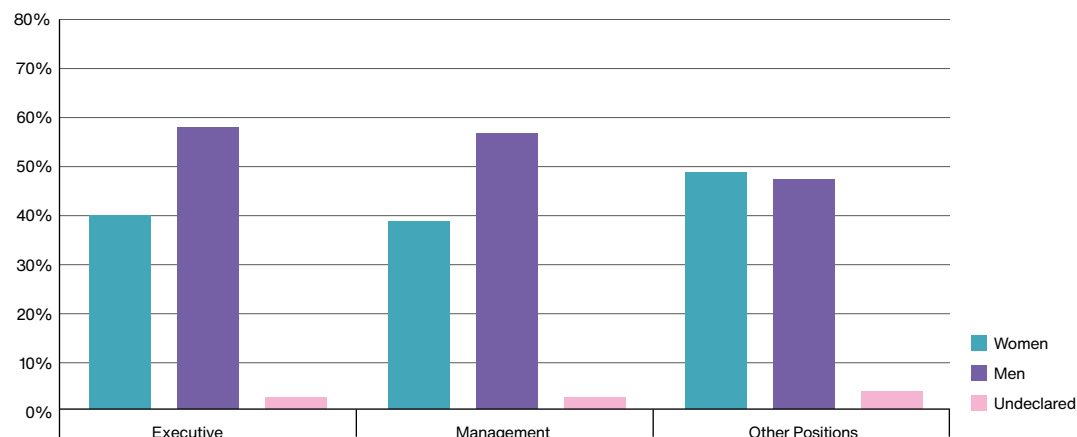
Our Media.Monks people	Total 2022	Women 2022	Men 2022	Undeclared 2022	Total 2021	Women 2021	Men 2021	Undeclared 2021
Employees	8,308 people	47.6%	49.0%	3.5%	5,874 people	43%	44%	13%
Part time	2%				3%			
Full time	97%				97%			
Permanent contract	99%				9%			
Temporary contract	1%				2%			
Turnover rate	29%	42.4%	48.4%	9.2%	21%	48%	42%	10%
Percentage of turnover per total FTEs by gender category	-	25.9%	28.7%	77.0%	-	23.6%	19.9%	16.6%
Covered by collective bargain agreement	28%				15%			
Absenteeism <sup>1</sup>	1.6%				0.5%			

Note:

1. This data is only for the Netherlands.

## Diversity, Equity and Inclusion continued

Gender balance of workforce by role



The table on previous page and graph above shows our diversity numbers and additional workforce data for the whole Group in scope. Overall, gender continues to be relatively balanced across the Group but we continue to focus on facilitating better balance between genders in executive and management roles.

We do see a positive trend in other positions. We continue to monitor the progress in other categories and invest in programmes such as the S<sup>4</sup> Women in Leadership Program and our diverse slate approach to talent discovery to facilitate greater people parity.

We measured our diversity data for the first time based on voluntary self-identification in 2021. This means that our people had the freedom to indicate their gender or not. In 2021, 13% of our workforce did not self-identify. In 2022, we offered more options for

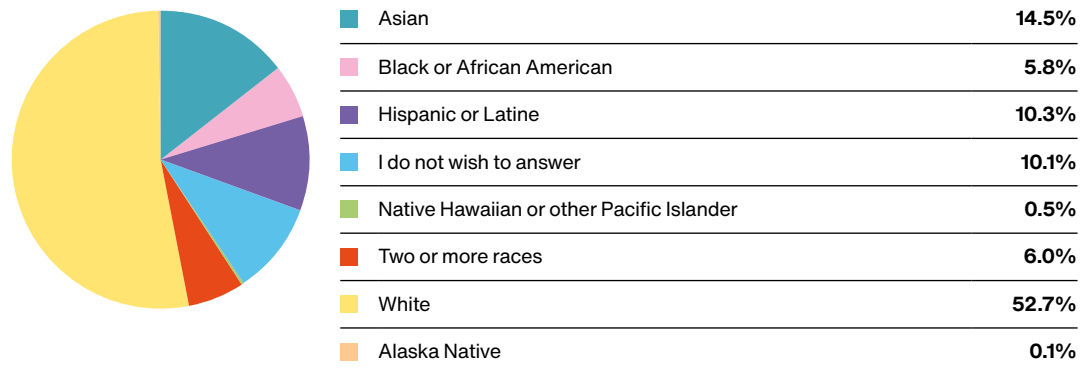
self-identification, and, in coming years, ensuring our databases offer robust and comprehensive options will be a focus to ensure we are gathering the most accurate representation of our people.

Since many countries, e.g. those in the EU, restrict companies from reporting a person's ethnic origin we separated the information of our US Monks and Monks located elsewhere, reporting numbers in the US as allowed by law. The diversity of our US workforce is demonstrated in the figures on page 59. We are working on various initiatives that support a better influx of a diverse group of talented young people.

**“ We are building a new era, and to us, that means equity in every form, building empathy as a muscle, and ensuring the planet and humanity of today is a better one tomorrow. We measure by metrics but more so by impact. DE&I is not a people function exclusively for us; DE&I performance is required from our Board members to our new hires”**

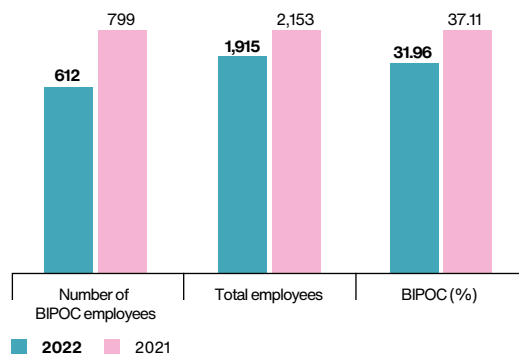
**James Nicholas Kinney**  
Global Chief People Officer

## US: Overall ethnicity data 2022 %

**Our performance:**

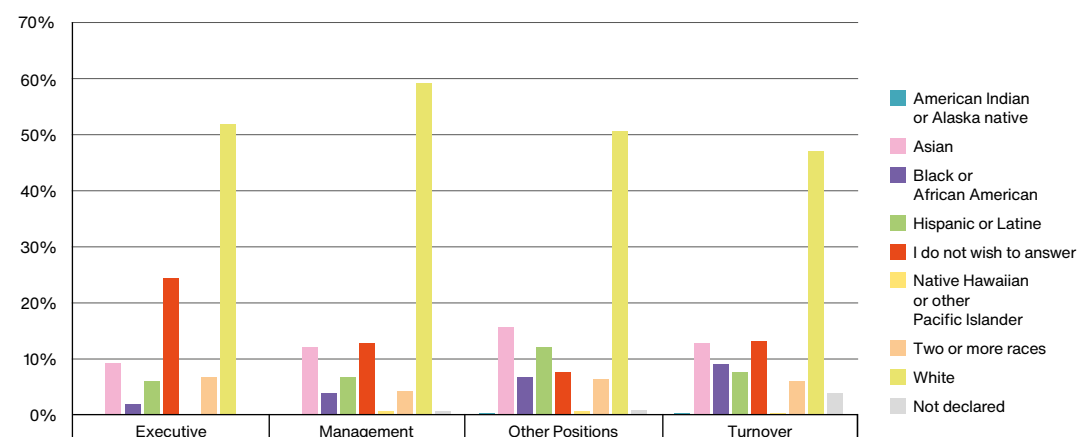
Our BIPOC (Black, Indigenous and People of Colour) population grew 5.2% year over year which includes a 45% increase in our Black population, 24% growth in Hispanic or Latine populations and a 27% increase in those reporting two or more ethnicities.

## BIPOC as % of US employees



Figures provided include the number of individuals who did not wish to answer. Individuals are given this option, and may take it for a number of reasons including an individual who may not feel the boxes offered apply to their composition, and therefore an alternative is provided. We always include the population of people who have elected to not disclose in order to reflect accurate headcount, and provide an accurate picture of our current composition. Through internal efforts to uplevel systems, those who did not wish to disclose decreased by 38%. ►

## BIPOC as % of US employees by role



# Diversity, Equity and Inclusion continued

## Talent Discovery

In 2022 we relaunched our recruiting department as Talent Discovery. 'Discovery' – rather than 'acquisition' – reflects our more inclusive mindset for seeking talent.

Today our method of hiring, the Diverse Slate Approach, requires a 50% diverse candidate slate for any role in order to proceed to the interview process. Further, there is more attention paid to the channels we use to discover talent as we seek ways to write our job descriptions in a language that appeals to diverse groups.

To further close the representation gap, we offer special talent discovery and training programmes for underserved and underrepresented groups. The S<sup>4</sup>Capital Fellowship Program (for graduates of historically black colleges and universities in the US), S<sup>4</sup> Women in Leadership Program, Brixton Finishing School collaboration (UK) and WoMMen in Tech are just a few of the programmes we offer.

## Community Groups

Media.Monks has long supported Employee Resource Groups (ERGs): voluntary, employee-led groups that aim to foster a diverse and inclusive workplace. In 2022 we introduced these groups in all four regions of our global operations under the new label of Community Groups, for broader understanding of the concept. Community Groups address the topics that really matter to our people, and they are fully supported by executive leadership. We have seven community groups, four of which were added in 2022:

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### Melanin.Monks

Increasing awareness of cultural differences amongst black employees and the Group community at large.

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### Pride.Monks

Fostering the values of empathy, safety, community and pride.

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### Caregiver.Monks

Supporting and advocating for all caregivers in order to foster professional and personal growth.

---

### Enable.Monks

Building a network of support and advocacy while broadening the understanding of neurodiversity and disability.

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### Cultura.Monks

Building and supporting an S<sup>4</sup>Capital/Media. Monks network of familia.

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### WoMMen in Tech

Helping develop women, and allies of women, both professionally and personally.

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### Green.Monks

Raising awareness and encouraging action on environmental issues and sustainable practices.

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## Building awareness

One way we seek to build awareness of each other, our communities and our cultures is to provide foundational training in DE&I principles for our people. We conduct ongoing training on unconscious bias, allyship and anti-racism and numerous other topics related to inclusion and belonging, both internally and through outsourced organisations. We also promote numerous activities and initiatives for our managers and colleagues to discuss topics and ask questions, such as DE&I office hours and enrichment activities that foster awareness.



**“ Understanding how challenging it is to focus on work during these turbulent times, we have made it a practice to offer Safe Space Sessions for our people”**

### **A focus on wellbeing**

We continue to be intentional about providing comprehensive healthcare and wellbeing benefits that address the holistic health of our people in every country.

We have instituted a global mental health and wellbeing program that features regular lectures and masterclasses on wellbeing that can be easily accessed on our internal network the Shift, including workshops on meditation, mindfulness and yoga, as well as discussions around mental health in the workplace.

Through our corporate LinkedIn Learning offering, people can access a variety of resources related to mental health and wellbeing. Topics range from resilience, cultivating balances, managing depression and anxiety at work, and more. Understanding how challenging it is to focus on work during these turbulent times, we have made it a practice to offer Safe Space Sessions for our people moderated by mental health professionals, to provide tools to help manage crises.

### **Wellbeing.Monks**

Our London-based Wellbeing.Monks promote a holistic approach to creating a welcoming and supportive environment for all of our people. With a reach that covers everything from local iterations of DE&I initiatives to practical tools for mental health and wellbeing to social endeavours that foster togetherness, the team inspires our people all over the world to pay closer attention to caring for their mental health and wellbeing.

### **What's next**

In early 2023, the People Experience team, our PX.Monks, launched a new philosophy around motivation, feedback, training and career development that will uncover opportunities for all our people to realise their growth potential.

Our Global DE&I team will be curating training modules that amplify key DE&I topics to empower better working relationships across borders, cultures and identities.

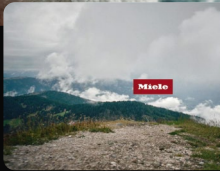
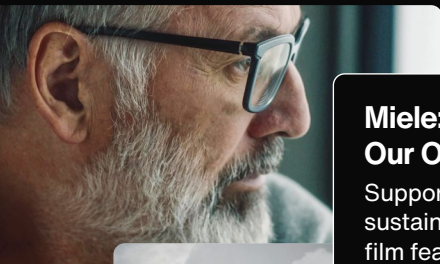
In 2023, our Talent Discovery team will be introducing Promotion to Vacancy, a programme that aims to find opportunities to fill open leadership roles internally.

We will also be fully measuring performance of relevant DIA initiatives through surveys and feedback. ■

## ESG stories

## Committed to action,

NOW

**Miele: Stories From Our Only Home**

Supporting Miele's commitment to sustainability, we created a short film featuring three-star Michelin chef Norbert Niederkofler. Set at his mountain restaurant, Stories From Our Only Home paints an inspiring portrait of Niederkofler and his philosophies around people, product and our planet. We shot the film with the smallest possible crew and footprint. The project earned a European Green Leaf Award for sustainable production.

**Aid to Pakistan flood victims**

In September 2022, Pakistan was hit with devastating floods. Our Karachi office reported severe shortages of food in surrounding areas and understandable concern. Everyone in Pakistan, including our Monks, did what they could to support those in need. As a company, we donated over £14,000 to relief efforts, a sum recommended by our team on the ground who worked tirelessly to help support their neighbours and communities.

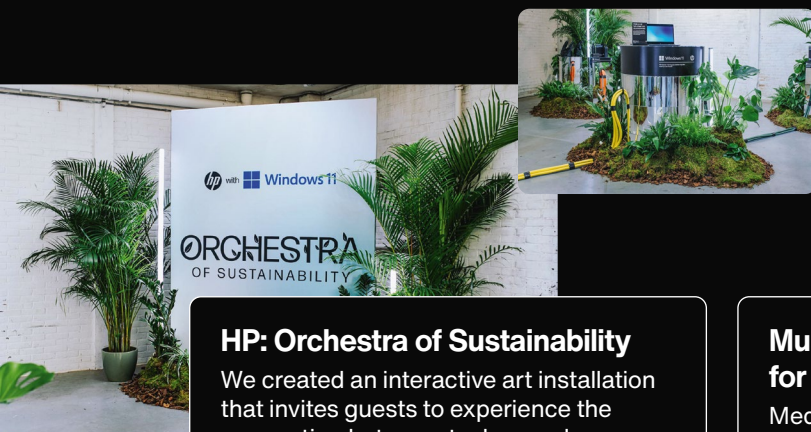
**Creatures United**

For the launch of Creatures United during #COP15 in Montreal – an innovative campaign that tackles the issue of biodiversity loss – we used voice-to-face tech and Unreal Engine to bring the brand's protagonists to life. Campaign assets that feature animated, virtual animals helped Creatures United spread their message far and wide and continue to support all life on our planet.

**Sanofi: Decoupled**

When working with Sanofi for their Decoupled production, we created a sustainable and inclusive production, using AdGreen reporting to measure CO<sub>2</sub> emissions for all productions.





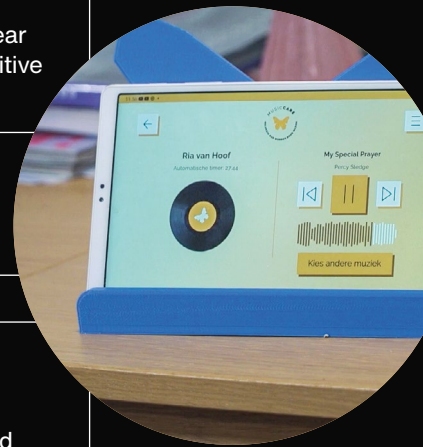
### HP: Orchestra of Sustainability

We created an interactive art installation that invites guests to experience the connection between tech, people and real-life nature. The installation represents HP's efforts around reforestation, ocean-bound plastic recycling and improving digital literacy.



### Music Care: Improving healthcare for Alzheimer's patients

Media.Monks built Dutch Foundation Music Care a progressive web app that helps soothe elderly patients experiencing Alzheimer's. Using the app, healthcare workers can select and play a Spotify playlist with personalised music based on the activity at hand – the right music at the right time – to help patients instantly shift from feeling fear and depression to become more positive and cooperative.



### Raise.Monks

Our digital performance team in Brazil considers the training of new digital marketing professionals essential to our business and the digital media industry which has grown quickly and lacks qualified professionals. Enter Raise.Monks, a programme the team created to train people with little or no background in digital marketing (and no native English), to work as skilled, paid media analysts on international accounts, performing services and partnerships in English. All in just four short months.



### WarnerMedia Entertainment, TBS/TNT MORE Campaign

When WarnerMedia's TBS, TruTV and TNT networks were looking to celebrate the voices of their black talent, employees and audiences, we delivered MORE. A new, united platform for these three networks that promised MORE in every capacity for those who had previously only known less. More content, more authenticity, more untold stories, more joy and more inspiration. Through a bold OOH campaign, national broadcast spot and a dedicated social platform across Twitter and Instagram, that spotlight continues to shine bright in a campaign that won a 2022 Bronze Clio.



### Amazon – The Climate Pledge Platform

In collaboration with The Climate Pledge team, we created a rebranded platform which rallies companies to commit to net zero carbon emissions by 2040. Our multidisciplinary, four-continent team defined an ownable visual language, tone of voice and seamless user interface. The experience rooted in optimism includes an immersive, WebGL-powered timeline, dynamic storytelling and an ever-changing industry leaderboard that inspires prospective signatories to be the planet's turning point.



## ESG stories continued



### Havaianas Pride Research

We teamed up with Havaianas, Datafolha and All Out to create Brazil's biggest LGBTQIA+ survey, which aimed to give visibility to a community that was excluded from the country's census. Havaianas was keen to launch Pride Research to survey Brazilians about their gender, sexual orientation and more. We handled strategy, concept and creative execution of the idea, publishing the results in an interactive report and OOH campaign. With 9.3% of Brazilians over 16 identifying as LGBTQIA+, Pride Research represents a giant step in gaining visibility for this community.



### Monks Doing Good: Monks.Giving

For holiday season 2022, our team in Hilversum piloted a giving programme that will be used as a playbook for our Media.Monks offices around the world, Monks.Giving. The programme focused on collecting toys for underserved kids, hardware or blood donations, and our people were given the option to give what they wanted to give. Experts spoke to our people to emphasise the purpose and provide inspiration.



### Community outreach and impact

2022 was a year fraught with global crises that touched our people and their communities – the war in Ukraine; political unrest; inflation; natural disasters that spanned flooding, wildfires and earthquakes; mass shootings; police brutality and the ongoing persistence of covid-19, to name a few. In a show of solidarity, our people took to their communities to support the causes they care about.

Through our DIA Community Outreach and Impact pillar, we are focused on working with causes and community programmes that are meaningful to our people, including: youth programmes, local charities, local community engagement activities and environmental clean-ups. A few examples are noted below.

OneOpp Coalition, a nonprofit launched by Cashmere Agency which combined with Media.Monks in 2021, strives to drive positive social change for BIPOC and underserved communities in the areas of financial literacy, overcoming educational inequality, overcoming environmental racism and social justice reform.

In support of our people and others displaced by the war in Ukraine, our people donated in total over £10,000 in both cash and goods. Funds went directly to: extraction efforts to transport our people to safety in Poland, financial support to those both in Ukraine and Poland, and protective gear and medical necessities. We also gathered in-kind donations of: medical supplies, food, clothing and shoes, children's toys, diapers and bedding, and general bedding items.



# Non-financial information statement

The table below is intended to set out where stakeholders can find information on key areas in accordance with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Policies	References
<b>Environmental matters</b>	Signed SBTi commitment letter; Yearly GHG emission disclosure; TCFD statement	From page 37
<b>Employee</b>	Global Code of Conduct; Anti Financial Crime Policy; Speak Up Policy; Equal Opportunity Employment Statement; Health & Safety Standards; Employee Empowerment; Acceptable Use Policy; Bring Your Own Device Policy; Clear Desk Policy; Information Sensitivity Policy; General Information Security Policy; Remote Working Policy	From page 57. Speak Up Policy can be found on S <sup>4</sup> Capital and Media.Monks websites
<b>Human rights</b>	Modern Slavery and Human Trafficking Statement; Global Code of Conduct; Anti Financial Crime Policy	S <sup>4</sup> Capital and Media.Monks websites
<b>Social matters</b>	Global Code of Conduct; Anti Financial Crime Policy Share/Securities Dealing Code	S <sup>4</sup> Capital and Media.Monks websites
<b>Anti-corruption and anti-bribery</b>	Media.Monks has zero tolerance for any form of bribery or influence peddling. We comply with the anti-bribery and corruption laws of the countries where we operate, as well as those that apply across borders	This statement is included in our Global Code of Conduct
<b>Description of principal risks and impact of business activity</b>	We have established governance processes and policies to help us manage sustainability risks and opportunities consistently across the organisation	This is included on our TCFD Report, from page 40
<b>Description of the business model</b>	This is reflected in our business model	Pages 4-5
<b>Non-financial KPIs</b>	Performance KPIs align to our ESG strategy and include a range of financial and non-financial metrics across three ESG pillars: Zero Impact Workspaces; Sustainable Work; Diversity, Equity and Inclusion	Pages 16, 39, 51-59

## Human rights

Respect for human rights is a fundamental principle for S<sup>4</sup>Capital. We take seriously our responsibility to conduct business in an ethical way. Media.Monks has been a member of the United Nations Global Compact (UNGC) since 2012. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles, including in the areas of human rights and employment.

## Anti-slavery and human trafficking

S<sup>4</sup>Capital does not tolerate modern slavery. We are committed to assess and address any modern slavery risks that may arise in the course of our business. As part of this commitment, we are implementing a Supplier Code of Conduct and seeking to regularly educate our people on the risks and how to mitigate them. This helps us identify and manage slavery and human trafficking risk in accordance with the principles and goals promoted by the Modern Slavery Act 2015 and related guidance.

## Anti-bribery

Media.Monks has zero tolerance for any form of bribery or influence peddling. We aim to comply with the anti-bribery and corruption laws of the countries where we operate, as well as those that apply across borders. We do not offer, pay or accept bribes or kickbacks for any purpose, either directly or through a third party. We do not make facilitation payments or permit others to make them on our behalf.

## Whistleblowing policy

Key values of Media.Monks are integrity and responsibility – which link to our core principle of authenticity, integrity and the highest ethical standards in our business dealings. These apply in all our dealings within Media.Monks, and when we work with clients, suppliers and in our communities. Employees' concerns are important to the business and we encourage all of our employees to take advantage of the Speak Up Policy.

## Section 172 statement

### Addressing the needs of our stakeholders

Section 172 of the Companies Act 2006 requires the Directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, Section 172 requires the Directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, clients and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

In discharging our Section 172 duties the Directors have regard to the above factors and any other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not always result in a positive outcome for all our stakeholders. However, by considering the Company's purpose, mission, values and strategic objectives, and having a process in place for decision making, we aim to ensure that our decisions are considered and proportionate.

Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the corporate governance report on pages 71 to 120.

### Engagement with stakeholders

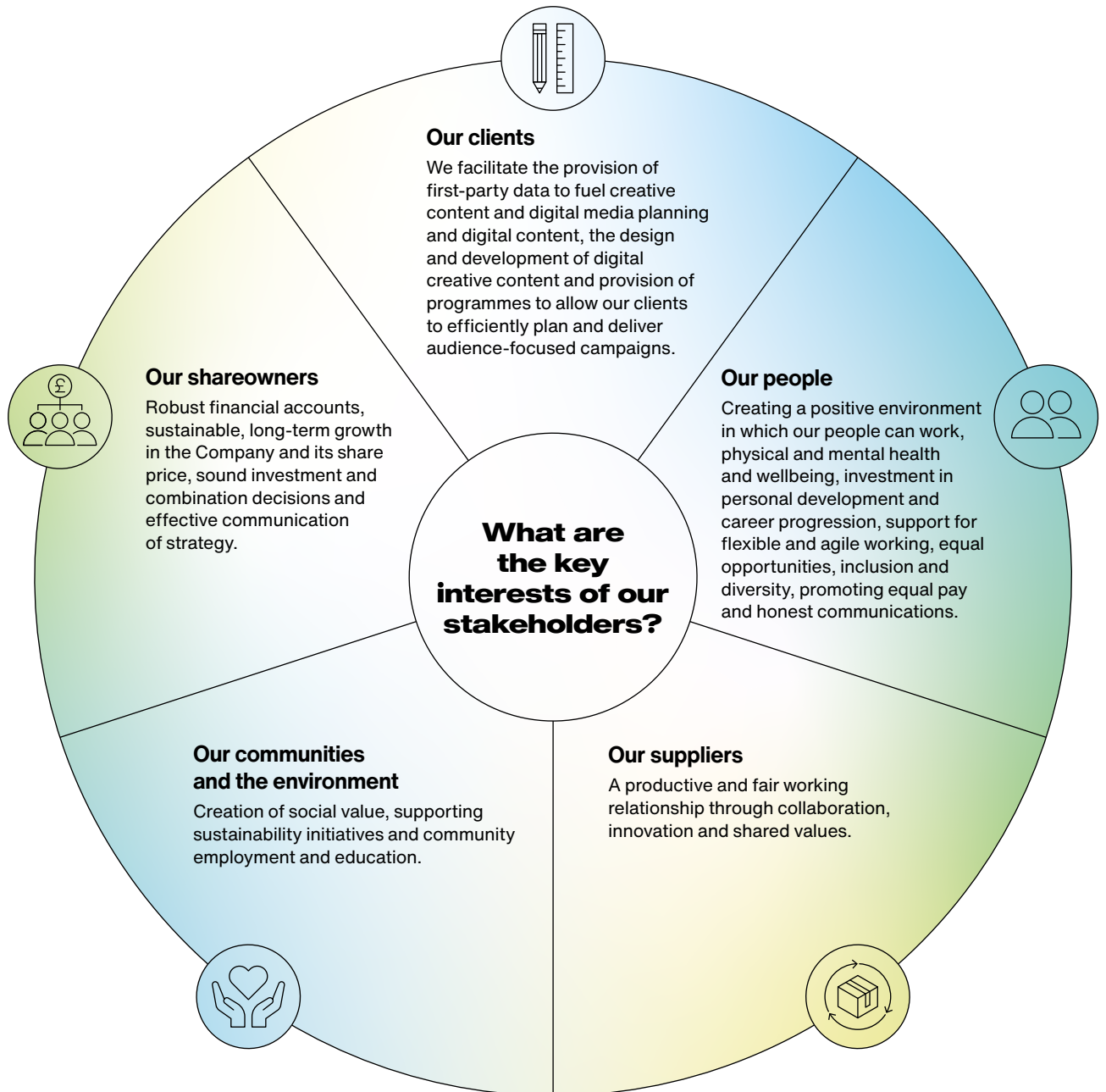
#### Our stakeholders

Building strong, constructive relationships and engaging regularly are key to ensuring we understand what matters to our stakeholders. Our broad range of stakeholders, representing different and often competing interests, bring informative and diverse perspectives to our decision making. Incorporating those perspectives into our decision making is a vital part of the execution of our long-term strategy. Our clients, our people and our shareowners are our key stakeholder groups, along with our communities and our suppliers (including our lenders).

The Board recognises that engagement with the Company's stakeholders is critical to the success of the business in realising this mission. The Directors continue to have regard to the interest of our people and the Company's other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation when making decisions. We recognise that promoting the long-term sustainability and success of the Company is intertwined with creating value for, and engagement with, our stakeholders. It is rightfully, therefore, at the core of our business.

Information provided by management is shared with the Board and direct engagement with stakeholders takes place throughout the year. Stakeholder considerations are taken into account as discussions at meetings of the Board and its committees, as well as informally in the day-to-day activities of the business. On page 48 onwards we set out who we consider to be our principal stakeholders, including information on our methods of engagement with them, and the impact of such engagement on the Company's decisions and strategies. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Act. Our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected of us. ►





## Section 172 statement continued

### Our key stakeholders and how we engage with them



#### Our clients

- Our mission for S<sup>4</sup>Capital is driven by engagement with our clients and our mantra of 'Speed, Quality, Value, More'.
- We have combined best-in-class practices, promoting alignment, an integrated service offering and emphasising transparency to clients.

#### How we engage

- We work alongside our clients on a day-by-day, hour-by-hour basis, helping them communicate with their audiences in a continuous loop.
- We continuously evolve how we communicate and deliver our services based on client feedback.
- We co-locate or embed our people, which not only facilitates clear communication, collaboration and teamwork, but also leaves a light environmental footprint.
- We continuously focus to implement (more) sustainable solutions throughout our processes and advise our clients on the next best solution in our industry.

#### How the Board engages

- Our Executive Directors provide updates to the Board regarding key market and client updates.
- Our Board receives 'whopper' and 'whoppertunity' updates.

#### Outcomes

- We continue to build our existing and new client base, with significant assignments from some of the world's top companies and at a local level. Our retention and new business rates are strong, often boosted by cross-practice pitches and referrals.



#### Our people

- Our people are central to our business. They play a significant role in the delivery of our strategy and the future growth of our business.
- We recognise the importance of attracting, developing and retaining the best talent, and the need to provide a safe and inclusive environment where individuals can thrive.

#### How we engage

- Our unitary structure, with a single P&L, gives our people a sense of common values, shared goals and a collaborative spirit.
- We have an active internal communications programme to keep our people engaged and informed on Group strategy, progress and development. This includes regular All-Hands meetings and team briefings on matters important to our global talent pool and a weekly 'State of our One Nation' update from the Executive Chairman.
- To assist with the wellbeing and health of our people, our practices provide wellness programmes and support for individuals, all within a strong culture of mutual respect and understanding.
- We conduct regular employee surveys and use this feedback to improve our performance and culture and make the results part of our materiality analysis.
- Our culture is one of openness and transparency, where everyone has a voice and is free to raise questions and issues of concern.

### How the Board engages

- Our Non-Executive Directors share responsibility for employee engagement and report to the Board on their findings.
- The Board receives updates from our Global Chief People Officer on communication activities with our people.
- During 2022, our Audit and Risk Committee Chair, Colin Day, undertook numerous office visits, including engaging with finance professionals globally.
- The Nomination and Remuneration Committee reviews diversity initiatives across the Group and senior leadership succession plans.

### Outcomes

- In early 2023, we launched PX.Monks, focused on motivating, developing, training opportunities for all our people.
- Our Community Groups are set up internally by Monks to support and learn from one another, and are actively promoted to advance the understanding and inclusion of Monks with common life experiences including Melanin.Monks, Pride.Monks, Caregiver.Monks and Green.Monks. Community Groups address the topics that really matter to our people, and they are fully supported by executive leadership. Further information is available on page 60.
- We continue to run our S<sup>4</sup> Fellowship Program aimed at fostering the next generation of talent by empowering students from traditionally under-represented communities.



### Our shareowners

- We recognise the importance of providing all of our shareowners with regular updates on our operations, financial performance and ESG activities. Engagement with shareowners gives us a broad insight into their priorities, which influences our own decision making and our strategic direction. The continued support of our shareowners, especially during 2022, is something that we value greatly.

### How we engage

- We maintain regular contact with our shareowners through a comprehensive investor relations programme of conferences, roadshows and meetings, predominantly led by our Executive Chairman, Group Chief Financial Officer and Chief Growth Officer.
- After each quarterly results announcement, we have held extensive roadshows with investors.
- All our investor presentations, reports and earnings calls are available on the S<sup>4</sup>Capital website.

### How the Board engages

- Our AGM provides the opportunity for our private shareowners to hear from and engage directly with the Board.
- During 2022, the Chair of the Nomination and Remuneration Committee engaged with our shareowners during the development of the Remuneration Policy and further engaged following the 2022 AGM. More information is available on page 94 onwards. ►

## Section 172 statement continued



### Our communities and the environment

- The Board recognises and supports the continuing focus on ESG and sustainability, especially on the environment and climate change, and aims to operate in a sustainable and responsible way while delivering value for shareowners.

#### How we engage

- Our businesses and people are involved in many projects at a local level: from student outreach and teaching coding to young people, to participating in drives to collect food, toys and donations at holiday times.
- We contribute to society by actively sharing our talents and digital expertise and offering it to local social initiatives and charity projects.
- We have made £53,181.35 amount in donations, including donation to the relief efforts following the Pakistani Flood.
- In addition to making donations, we also encourage and support employees who undertake voluntary work in their local communities.

#### How the Board engages

- The Board has oversight of our ESG strategy.
- ESG-related targets are included in the Group's annual performance targets, which are linked to the annual bonus.
- Victor Knaap, an Executive Director, champions our sustainability efforts. More information on our sustainability and ESG activities is available on pages 37-64 and in the Media.Monks annual ESG Report.

### Outcomes

- During 2022, we faded out our fossil fuel brands.
- During 2022 we analysed the baseline for potential emission reduction of up to 42% over the course of 10 years via the Science Based Targets initiative.
- Our S4 Forest mission is now its second year and we have planted 503,033 trees.



### Our suppliers

- We rely on suppliers to help deliver our services to clients and maintain our productivity, as well as helping to make our supply chain as sustainable and diverse as possible.
- Strong relationships with suppliers can bring innovative approaches and solutions that create shared value.

#### How we engage

- We ask our suppliers to commit to upholding the principles of our Code of Conduct, including fundamental standards on human rights and modern slavery.
- We aim to have a fair and transparent relationship with our suppliers and partners through regular dialogue on performance and ESG matters.
- In 2022, we conducted a materiality survey among our top 25 suppliers.

#### How the Board engages

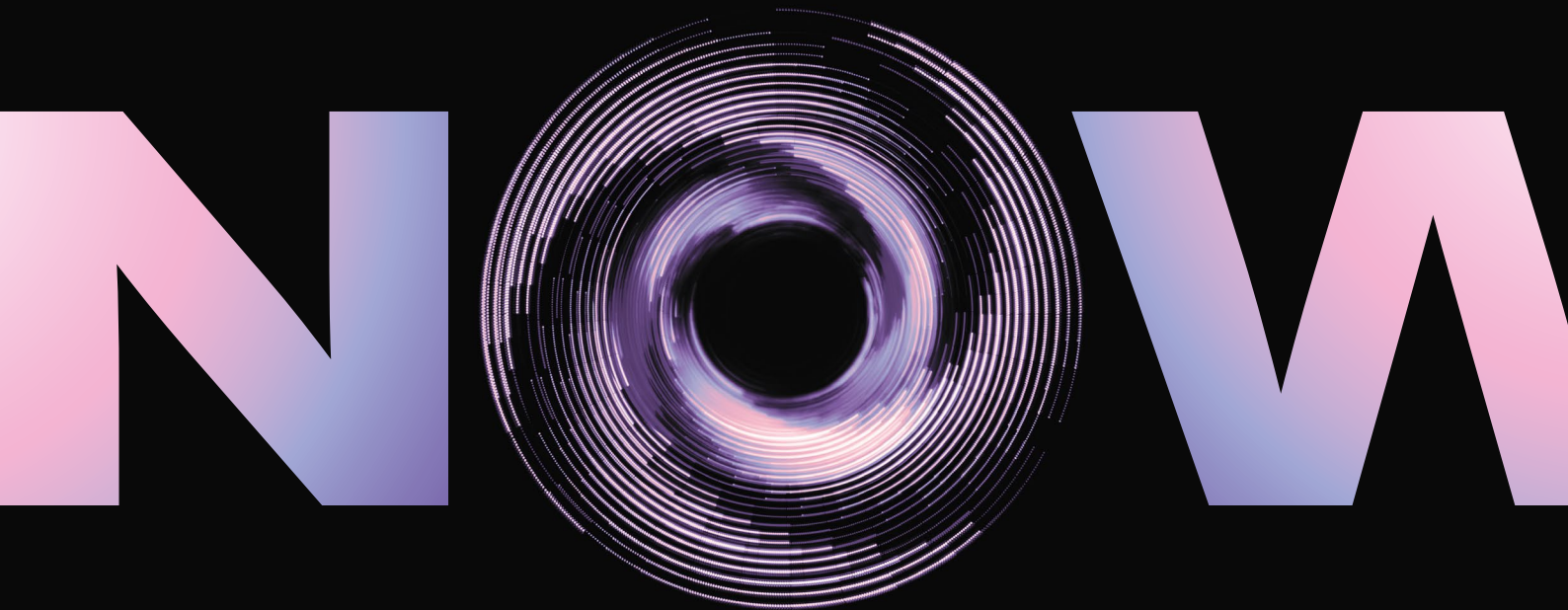
- The Board approved our revised Global Supplier Code of Conduct.

### Outcomes

- Our top 20 suppliers publicly disclose a CSR/ESG policy.
- We build and maintain collaborative, long-term relationships with our suppliers. ■

**3****Governance Report**

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**Organised for**

**Our robust governance framework sets the standards for our business, enabling us to deliver on our objectives, strategy and purpose.**

# Corporate governance statement of compliance

During the year, the Board voluntarily adopted the UK Corporate Governance Code (the Code) which was issued by the Financial Reporting Council (FRC) in 2018.

The Board confirms that, with effect from July 2022 and as at the date of this report, the Company has applied all of the principles of the Code. However, we did not comply in full with Provisions 9, 36 and 37, as further described on page 73. From 1 January 2023, we became compliant with Provision 38. This report, together with the reports from the Audit and Risk Committee and Nomination and Remuneration Committee, and the other statutory disclosures, provides details of how the Company has applied the provisions of the Code (pages 89 to 116).

The table below outlines how we have structured the governance section of this Annual Report and Accounts around the Code.

Provision	Further information	Page	Provision	Further information	Page
<b>Board leadership and Company purpose</b>			<b>Audit, Risk and internal control</b>		
1	Strategic Report	11-70	24	Audit and Risk Committee Report	89
	Risks	24	25	Key responsibilities of the Audit and Risk Committee	89
	Sustainability	37	26	Audit and Risk Committee Report	89
	Governance	71	27	Fair, balanced and understandable assessment	92
2	Culture	82	28	Principal risk and uncertainties	25
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	Workforce remuneration	114	30	Going concern	92
3	Shareholder engagement	88	31	Viability Statement	27
4	Significant votes against	95	<b>Remuneration</b>		
5	Stakeholder engagement	87-88	32	Remuneration Committee: Composition and report	94
	Workforce engagement	87	33	Remuneration Policy	99
6	Whistleblowing	93	34	Non-Executive Director remuneration	108
7	Managing conflicts of interest	82	35	Advice provided to the Remuneration Committee	115
<b>Division of responsibilities</b>			36	Shareholding requirements: Remuneration Policy statement	109
9	Division of responsibilities	84	37 and 38	Remuneration Policy	99
10	Director independence	80	39	Executive Directors' service agreements and loss of office entitlements	103
11	Board Composition	80	40 and 41	Report of the Remuneration Committee	94
12	Senior Independent Director	84			
13	Non-Executive Directors	84			
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	Division of responsibilities	84			
15	Director biographies and external appointments	74			
16	Company Secretary	84			
<b>Composition, succession and evaluation</b>					
17	Nomination and Remuneration Committee Report	94			
18	Election and re-election of Directors	85			
19	Director biographies	74			
20	Board member recruitment	94			
21 and 22	Board evaluation	86			
23	Nomination and Remuneration Committee Report	94			



Provision	Explanation
9. The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the Board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.	<p>The Board recognises that Sir Martin Sorrell's position as Executive Chairman, exercising the roles of both Chairman and Chief Executive Officer, is a departure from the Code. Sir Martin has been a leading figure in the marketing and communications services industry for over 40 years and the Board continues to be of the view that his expertise, knowledge and global network of relationships are an unparalleled advantage to the Group, the formulation and execution of its strategy and its day-to-day operations. In light of this, the Board believes that combining the roles of Chairman and Chief Executive is in the best interests of the Company, its shareowners and other stakeholders.</p> <p>The Independent Non-Executive Directors have concluded that the position remains appropriate.</p> <p><b>Control enhancements</b></p> <ul style="list-style-type: none"> <li>• Governance structure reviews – The Independent Non-Executive Directors meet regularly in private sessions, chaired by the Senior Independent Director. The meeting includes consideration of the appropriateness of the governance structure and safeguards for shareowners.</li> <li>• The Chairs of the Board Committees, all of whom are Independent Non-Executive Directors, dedicate significant amount of time in the oversight of the functions that report to each respective Committee and have in-depth relationships with relevant executives.</li> </ul>
36. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The Remuneration Committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.	<p>The Board acknowledges that the grant of shares to the Group Chief Financial Officer total a four-year period. The use of an overall four-year performance period for most of the award, structured as successive one-year periods rather than the standard three-year period, recognises that, as S<sup>4</sup>Capital continues to grow and evolve, each one of the next four years is critical. This approach was also designed to be competitive in the context of the international markets in which the Company operates, where performance and vesting periods can be shorter than the UK norm.</p>
37. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.	<p>Whilst the Nomination and Remuneration Committee cannot override the formulaic outcome of the Incentive Share Scheme (A1/A2 shares), the Board believes that the scheme is aligned with the wider shareowner experience due to the long-term nature of the scheme. Furthermore, the participants only receive benefits once shareowners have experienced significant growth in the value of their investment.</p>
38. Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.	<p>With effect from 1 January 2023 and in line with the Remuneration Policy adopted at our 2022 Annual General Meeting, the Directors' pensions were aligned to the rate applicable to the wider workforce (or to the legal requirements in place in their county of appointment). Further information is available on page 101.</p>

# Leadership: Board of Directors

## Sir Martin Sorrell

### Executive Chairman

Appointed: 28 September 2018

Nationality: British



Sir Martin was Founder and CEO of WPP for 33 years, building it from a £1 million 'shell' company in 1985 into the world's largest advertising and marketing services company. When Sir Martin left in April 2018, WPP had a market capitalisation of over £16 billion and revenues of over £15 billion.

Sir Martin supports a number of leading business schools and universities, including his alma maters, Harvard Business School and Cambridge University, and a number of charities, including his family foundation. He has been nominated as one of the TIME 100: The Most Influential People and received the Harvard Business School Alumni Achievement Award.

Current external appointments:

- None

## Mary Basterfield

### Group Chief Financial Officer

Appointed: 9 January 2022

Nationality: British



Prior to S<sup>4</sup>Capital, Mary was Group Finance Director at Just Eat PLC, where she led the Finance team through the class 1 merger with Takeaway.com. Her experience spans e-commerce, media, strategy and financial management of businesses undergoing rapid growth and change. Her previous roles include CFO at UKTV and CFO for Hotels.com at Expedia Group Inc.

Current external appointments:

- None

## Scott Spirit

### Chief Growth Officer

Appointed: 18 July 2019

Nationality: British



Scott joined S<sup>4</sup>Capital from artificial intelligence company Eureka, where he continues to serve as a board member and adviser. Previously, Scott spent almost 15 years at WPP in various roles in London, Shanghai and Singapore and was ultimately the Global Chief Strategy and Digital Officer.

In 2006 Scott moved to China and oversaw a period of rapid growth and multiple acquisitions, responsible for WPP's corporate strategy and growth agenda. Scott was also a director of Nairobi-listed WPP-Scangroup PLC. Prior to WPP, Scott worked at Deloitte and Associated Newspapers.

Current external appointments:

- Board Member, Eureka AI

## Christopher S. Martin

### Chief Operating Officer

Appointed: 24 December 2018

Nationality: American



As Co-Founder and former COO of MightyHive, Christopher has built a career leading successful operations teams and client services organisations in technology industries. Christopher holds a Bachelor of Science degree in Computer Engineering and MBA from The Wharton School.

Prior to co-founding MightyHive, Christopher spent a decade at Yahoo! in multiple leadership positions within Mergers & Acquisitions, Post Merger Integration, Global Controllershship and the Advanced Ad Targeting Products business unit.

Current external appointments:

- None

## Committee membership:

**AR** Audit and Risk Committee

**NR** Nomination and Remuneration Committee

**\*** Denotes Chair of Committee

**Victor Knaap****Executive Director**

Appointed: 4 December 2018

Nationality: Dutch



Victor joined Media.Monks in 2003 and led its intercontinental expansion to the 1,100-person powerhouse that merged with S<sup>4</sup>Capital in 2018.

Today, Victor is responsible for Media.Monks' integrated Content, Data&Digital Media and Technology Services practices in EMEA and leads the development and implementation of Media.Monks' ESG strategy.

Current external appointments:

- None

**Elizabeth Buchanan****Non-Executive Director**

Appointed: 12 July 2019

Nationality: Australian



Elizabeth is Chief Commercial Officer of Rokt, the leading global ecommerce technology company.

A proven tech and business executive with passion for transformation, Elizabeth has spent 25 years in technology, marketing and advertising.

Current external appointments:

- Board member of NGO Vital Voices Global Partnership
- Chief Commercial Officer, Rokt

**Wesley ter Haar****Executive Director**

Appointed: 4 December 2018

Nationality: Dutch



Wesley is Co-Founder of Media.Monks, and former Chief Operating Officer of the legacy MediaMonks brand.

Wesley co-founded MediaMonks in 2001 to focus on craft and creativity in digital, working tirelessly to grow that company into a creative production powerhouse with global reach and recognition that merged with S<sup>4</sup>Capital in 2018.

Current external appointments:

- None

**Colin Day****Independent Non-Executive Director**

Appointed: 3 August 2022

Nationality: British



AR\*

Colin brings decades of experience in both management and governance roles including Non-Executive Chairman of Premier Foods plc, Chief Executive of Essentra plc and 15 years of experience as Chief Financial Officer of both Reckitt Benckiser plc and Aegis plc.

He has served as a Non-Executive Director on the boards of major UK listed businesses including Amec Foster Wheeler, WPP, Cadbury, Imperial Brands and easyJet.

Current external appointments:

- Chair of Premier Foods Plc
- Non-Executive Director and Chair of the Audit and Risk Assurance Committee, DEFRA
- Non-Executive Director, Cranfield University
- Non-Executive Director, FM Global

## Leadership: Board of Directors continued

### Rupert Faure Walker

**Senior Independent  
Non-Executive Director**

Appointed: 28 September 2018

Nationality: British



Rupert qualified as a Chartered Accountant with Peat Marwick Mitchell in 1972. He joined Samuel Montagu in 1977 to pursue a career in corporate finance. Over a period of 34 years Rupert advised major corporate clients on mergers, acquisitions, IPOs and capital raisings, including advising WPP on its acquisitions of JWT, Ogilvy & Mather and Cordiant, together with related funding. He was appointed a director of Samuel Montagu in 1982 and was Head of Corporate Finance between 1993 and 1998.

He was a Managing Director of HSBC Investment Banking until his retirement in 2011.

Current external appointments:

- None

### Margaret Ma Connolly

**Independent Non-Executive Director**

Appointed: 10 December 2019

Nationality: American and Chinese



Margaret is President and CEO of Asia, Informa Markets, overseeing its businesses in mainland China, Japan, India, Korea, Hong Kong and ASEAN, a portfolio of more than 250 brands, which include industry-leading exhibitions and digital services across 13 countries. Margaret joined UBM in 2008, before its combination with Informa in 2018.

In the last 12 years, she has spearheaded multiple milestones in key market sectors and successfully grown the business through organic development and strategic partnerships. Prior to this, she held senior positions at TNT and Global Sources, and is the co-founder of the leading online expat community ShanghaiExpat.com. Margaret is a member of the Common Purpose Dao Xiang advisory board and received an MBA degree from Oxford Brookes Business School.

Current external appointments:

- President & CEO of Asia, Informa Markets

### Naoko Okumoto

**Independent Non-Executive Director**

Appointed: 10 December 2019

Nationality: Japanese



Naoko is the Managing Partner and Founder of Niremia Collective, a wellbeing technology fund and leads the investment strategy along with the global community building. She is also the CEO of Amber Bridge Partners, an advisory firm specializing in cross-border business development, investment and operations.

Prior to founding Niremia Collective, she drove US investment and collective impact community building for Mistletoe, a social impact fund founded by Mr. Taizo Son, and was an Executive Advisor at Z Corporation, a blockchain focused fund created by Softbank/Yahoo Japan. She was also a founding partner at World Innovation Lab (WiL), a Silicon Valley/Tokyo based venture capital. Naoko was the Vice President of Strategic Partnership Management at Yahoo Inc. where she managed Yahoo's joint ventures and grew annual revenues from \$16m to \$520m.

Current external appointments:

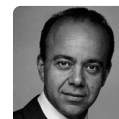
- Board member at CoinDesk Japan and EdCast
- Board advisor at Transformative Technology (NPO)

### Daniel Pinto

**Independent Non-Executive Director**

Appointed: 24 December 2018

Nationality: French and British



Daniel Pinto is the Founder, Chairman and CEO of Stanhope Capital, the global investment management and advisory group overseeing approximately US\$30 billion of client assets. He has considerable experience in asset management and merchant banking having advised prominent families, entrepreneurs, corporations and governments for over 25 years.

Formerly Senior Banker at UBS Warburg in London and Paris concentrating on mergers and acquisitions, he was a member of the firm's Executive Committee in France. He was also Chief Executive of a private equity fund backed by CVC Capital Partners. Daniel founded the New City Initiative, a think tank comprised of the leading independent UK and European investment management firms. He is the author of Capital Wars (Bloomsbury 2014), a book which won the prestigious Prix Turgot (Prix du Jury) and the HEC/Manpower Foundation prize.

Current external appointments:

- Director of Soparexo (Holding of Chateau Margaux)
- Director of the Independent Investment Management Initiative (IIMI)
- Chairman and CEO of Stanhope Capital Group



## Sue Prevezer KC

### Independent Non-Executive Director

Appointed: 14 November 2018

Nationality: British



Sue is a qualified solicitor and barrister at Brick Court Chambers, where she practices as an arbitrator and mediator. She has over 30 years of experience of arguing and managing large complex commercial cases at every level of the UK judicial system and in arbitration.

From 2008-2020, Sue was Co-Managing Partner of law firm Quinn Emanuel Urquhart & Sullivan (UK) LLP where her clients included major corporates, funds, investors, trustees, office holders and high net worth individuals, for whom she managed complex, high value, domestic and international litigation. Sue has particular expertise in company, insolvency related, securitisation and restructuring litigation.

#### Current external appointments:

- Chair of the Trustees of The Freud Museum
- Director at the Hampstead Theatre
- Non-Executive Director, BLOC Ventures Holding

## Paul Roy

### Independent Non-Executive Director

Appointed: 28 September 2018

Nationality: British



Paul has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an independent investment management company, which was acquired by Man Group in 2015.

Prior to that, he was Co-President of Global Markets and Investment Banking at Merrill Lynch & Co and had responsibility for worldwide Investment Banking, Debt and Equity Markets. He was previously CEO of Smith New Court Plc, a leading market making and brokerage firm on the London Stock Exchange. Between 2007 and 2013, Paul served as Chairman of the British Horseracing Authority, responsible for governance and regulation of the sport.

#### Current external appointments:

- Non-Executive Chairman, BLOC Ventures Holding
- Director, U-Research Limited
- Director, Health Technologies Limited

## Miles Young

### Independent Non-Executive Director

Appointed: 1 July 2020

Nationality: British



Miles spent almost 35 years at Ogilvy, ultimately as its global Chairman and CEO. He is currently the Warden of New College at Oxford University.

Miles joined what was then the 'advertising' business from Oxford in 1973, eventually moving to Ogilvy & Mather. After a period in the Asia-Pacific region based in Hong Kong, and working especially in China, he moved to New York in 2008 as Chief Executive, then Chairman of Ogilvy & Mather Worldwide. From then until 2016 Miles led a period of strong client growth and creative success.

In 2016, Miles returned to his Alma Mater of New College in Oxford, where he is Warden. He is President of the Oxford Literary Festival and Chair of the Oxford Bach Soloists, amongst other voluntary activities.

Miles is actively engaged in ESG efforts, maintaining oversight of S<sup>4</sup>Capital's ESG performance and instrumental in the development of disruptive and innovative ESG initiatives.

#### Current external appointments:

- Warden of New College, Oxford University

## Board support

## Caroline Kowall

### General Counsel, Head of Compliance and Company Secretary



Caroline spent over a decade in-house gaining broad and extensive experience at large, complex asset managers. She joined S<sup>4</sup>Capital in June 2022 from the Canada Pension Plan Investment Board (Toronto and London) where she was a senior member of the legal and compliance teams. Caroline was in private practice earlier in her legal career at Ashurst and Milbank in the City of London. She obtained her legal degrees and masters in France and the UK and is qualified to practice law in England and Wales and Ontario, Canada.

## Executive Chairman's statement



**“ We strongly believe that good governance underpins sustainable and successful businesses”**

**Sir Martin Sorrell**  
Executive Chairman

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### Dear fellow shareowners

I am pleased to present our Corporate Governance Report for the year ended 31 December 2022, which sets out how the Group's governance framework supports and promotes its long-term success, and provides an overview of the Board and its Committees.

### Update on 2021 audit issues

During the year, the Board continued to work together to resolve the issues which arose from the 2021 audit. Since my last letter to shareowners, under the leadership of our Group Chief Financial Officer and Group Financial Controller, we have continued to strengthen our Finance team, processes and controls, with experienced hires, embedding ways of working which will support our continued growth and the increasing scale of the business. In addition, we have strengthened our governance and compliance by establishing our Secretariat and Risk functions, led by our General Counsel and Company Secretary. We appointed Deloitte to provide an outsourced internal audit service, further information on which is available on page 91.

### Governance framework

In my last letter, we undertook to voluntarily comply with the UK Corporate Governance Code (the Code) for year ended 2023 however,

we strongly believe that good governance underpins sustainable and successful businesses, and we are committed to upholding the ethical standards to which our people and our clients aspire and have thus chosen to voluntarily adopt the Code with effect from July 2022. The Board spent significant time during the year increasing the Group's compliance with the Code and I am pleased that during the latter part of the year, we reached compliance with the majority of the provisions. More information on our application of the Code is available on page 72.

During the year, we have focused on building a robust and resilient governance framework throughout the organisation including updating our Committee Terms of Reference and enhancements to our enterprise risk management framework, internal controls manual and finance manual and the launch of our new and improved compliance policies and anonymous speak up line.

By setting the tone for our culture, values and behaviour, the Board includes the views of all stakeholders in its decision making. We remain focused on delivery of the long-term sustainable success of the Group.

### Purpose

During the year, we approved and launched our North Star, which defines our collective mission



and mindset. Our refreshed purpose statement, 'We shift industries forward by flexing and re-shaping how businesses interact with the world, NOW' explains our raison d'être. We aim to deliver this mission through our strategy (see pages 10-28 for further information). Thus far, I am pleased with results of our NOW mission, which has been clearly articulated across the Group and will form a strong foundation for our people and clients.

### **Sustainability**

I am pleased to report that much progress has been made over the last year in relation to the Group's ESG efforts. Miles Young, is now our Non-Executive ESG Engagement Director and has started working closely with our Global Head of ESG and Chief People Officer to ensure that the Board continues to consider ESG issues when formulating its business strategy. More information on our ESG strategy is available on pages 37-39.

### **Board changes**

Since my last report, we have welcomed Colin Day as an Independent Non-Executive Director and Chair of the Audit and Risk Committee. Colin brings a wealth of experience particularly in relation to operational and financial management, reporting, risk and leadership of audit committees. Since joining, Colin has had a significant impact on the activities of the Audit and Risk Committee and the Board.

Through our Nomination and Remuneration Committee, we will continue to review the succession arrangements and balance of skills and experience across the Board. Further information on succession planning is available on page 94.

### **Diversity and inclusion**

The Board believes that greater diversity within our business is the key to better decision making, and we strongly believe that building a diverse and inclusive workforce will lead to better outcomes for our people, clients, and our business as a whole.

I am pleased to report that the Board continues to meet the recommendations set out in the Parker Review and plans to work towards achieving the more recently announced gender diversity targets by the FTSE Women Leaders Review. More information on our Board diversity is available on page 80.

### **Stakeholder engagement**

The Board recognises the importance of engaging with and considering the interests of our shareowners in promoting the Group's long-term success.

During the year, the Board increased its focus on workforce engagement. With our Company's geographical spread, the Board is committed to sharing the responsibility of engaging with our people amongst all our Non-Executive Directors. The Board believes that this approach is more suitable to our organisation and provides the Board with a broader perspective on employee views, which are shared with the whole Board. More information on our stakeholder engagement is available on page 66.

Following the minority vote against the Remuneration Policy resolution at the 2022 Annual General Meeting (AGM), the Board invited major shareowners to re-engage and share their views on our Remuneration Policy, further information is available on page 114. The Board and I encourage our shareowners to share their thoughts and views with us via our Company Secretary cosec@s4capital.com.

### **Board effectiveness**

This year we conducted our first externally facilitated Board effectiveness review, supported by Boardroom Dialogue. The evaluation confirmed that the Board and its Committees were considered to be effective and identified a number of key priorities and actions, which the Board welcomed. Further detail on the evaluation and actions agreed can be found on pages 85-86.

### **Conclusion**

The Board and I remain committed to the highest standards of governance and active dialogue with all our shareowners. We will hold a physical AGM in June 2023, with virtual attendance for those shareowners who are not able to attend in person.

I would like to thank our shareowners for their loyalty and continued support, and I look forward to seeing you at the AGM.



**Sir Martin Sorrell**  
Executive Chairman

13 April 2023

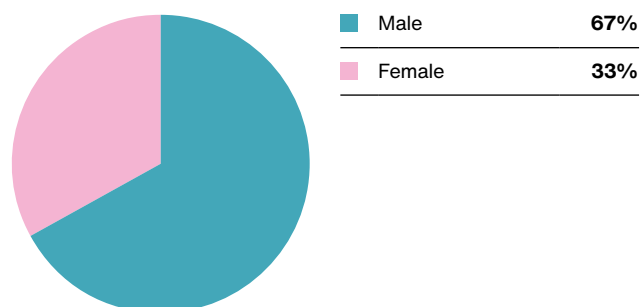
# The role of the Board

## Board and senior management diversity

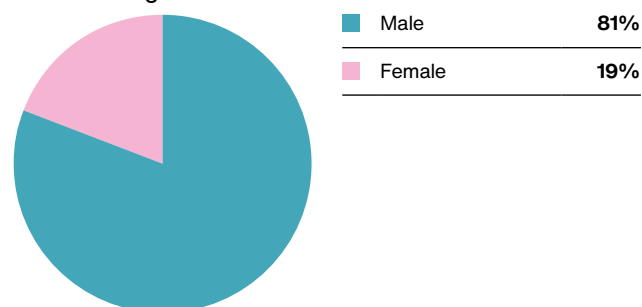
The information included in the below tables has been collected by self-disclosure directly from the individuals concerned, using a questionnaire requesting the individual to select their gender identity and ethnicity from a list of options of equal prominence.

### Diversity by gender and ethnicity

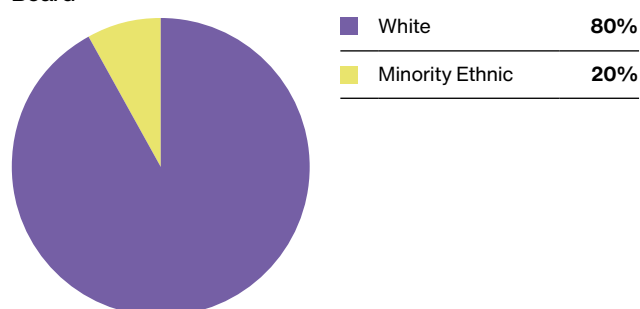
Board



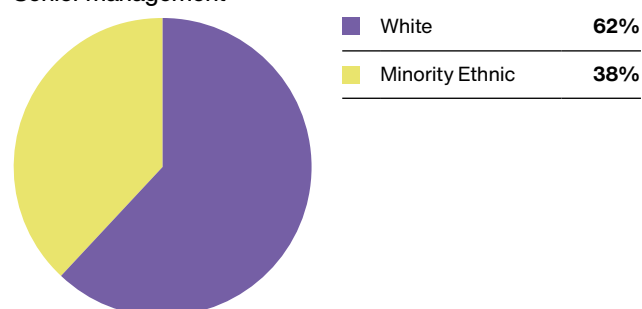
Senior management



Board

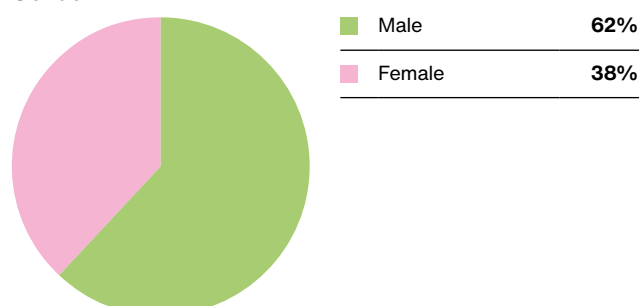


Senior management

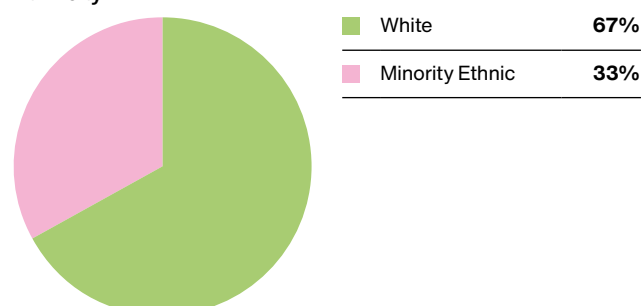


### Senior management direct reports

Gender

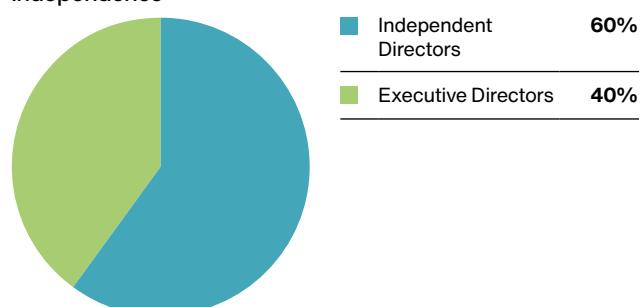


Ethnicity



### Board independence balance

Independence



## Board and Committee attendance

The following table shows the Directors' attendance at scheduled meetings they were eligible to attend for the year ended 31 December 2022:

### Board and Committee meeting attendance<sup>1</sup>

	Board	Audit and Risk Committee	Nomination and Remuneration Committee
<b>Total meetings</b>	<b>4</b>	<b>8</b>	<b>6</b>
Sir Martin Sorrell	4/4	–	–
Rupert Faure Walker	4/4	8/8	6/6
Colin Day <sup>2</sup>	1/4	3/3	–
Sue Prevezer	2/4 <sup>3</sup>	5/8 <sup>3</sup>	3/6 <sup>3</sup>
Paul Roy	4/4	8/8	6/6
Elizabeth Buchanan	3/4 <sup>3</sup>	–	–
Pete Kim <sup>4</sup>	2/4		
Peter Rademaker <sup>5</sup>	2/4		
Scott Spirit	4/4	–	–
Christopher S. Martin	4/4	–	–
Wesley Ter Haar	4/4	–	–
Victor Knaap	4/4	–	–
Naoko Okumoto	3/4 <sup>3</sup>	–	–
Margaret Ma Connolly	4/4	–	–
Mary Basterfield	4/4	–	–
Daniel Pinto	4/4	–	–
Miles Young <sup>6</sup>	2/4	–	–

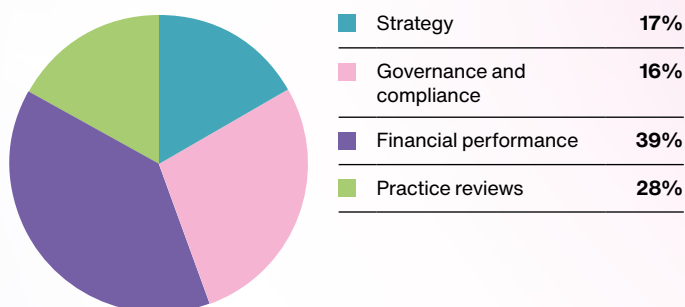
#### Notes:

1. There were four scheduled Board meetings.
2. Colin Day joined the Board on 2 August 2022.
3. Sue Prevezer, Elizabeth Buchanan and Naoko Okumoto were unable to attend some meetings due to pre-existing arrangements.
4. Pete Kim retired from the Board on 16 June 2022.
5. Peter Rademaker retired from the Board on 16 June 2022.
6. Miles Young was unable to attend two Board meetings due to personal reasons.

# The role of the Board continued

## Activities of the Board during the year

### Board activities



### During the year, the key Board activities were:

#### Strategy

- Received updates on the North Star mission, which redefined our purpose
- Approved the combinations with TheoremOne and XX Artists, significantly strengthening our Content and Technology Services practice capabilities
- Received a detailed presentation on the People strategy
- Received an update on the Group's ESG strategy



#### Governance and compliance

- Adopted the UK Corporate Governance Code
- Reviewed and approved the recommendations following the Board evaluation
- Reviewed the plan for future workforce engagements
- Reviewed and approved the Board role profiles, Committee Terms of Reference and other key Group policies
- Received an update on the Group's information security and privacy activities



#### Financial performance

- Reviewed the Group budget and three-year plan
- Received regular reports from the Group Chief Financial Officer
- Considered and approved the Group Tax Strategy statement
- Received updates on the activities of the Audit and Risk Committee



#### Practice reviews

- Received updates on each practice (Content, Data&Digital Media and Technology Services) performance
- Received reports from the Chief Operating Officer

## Conflicts of interest

The Board operates a policy that restricts a Director from voting on any matter in which they might have a personal interest, unless the Board unanimously decides otherwise.

Prior to all major Board decisions, the Executive Chairman requires the Directors to confirm that they do not have a potential personal conflict with the matter being discussed. If a conflict does arise, the Director is excluded from discussions.

Internal measures are in place to ensure that any related party transaction involving Directors, or their connected parties, are conducted on an arm's length basis. Our Directors have a continuing duty to update any changes to these conflicts.

## Purpose, values and culture

The Board, supported by its Committees, monitors the alignment of the Company's culture with its purpose, values and strategy. The Company's corporate culture is integral to our success, we have fostered and cultivated a culture of innovation and effectiveness and this feeds into how we do business. Our culture has been the platform that has aided in the creation of the long-term value of the Company and supports our strategy to deliver growth. We are actively working on enhancing and evolving our culture, to take into account the integration of mergers and the global aspect of our community.

Key functions such as Legal, Finance and People are empowered to promote, embed and integrate good standards of ethical behaviours and corporate governance across the Group. This also involves the establishment and review of underpinning policies and our Code of Conduct, which set the expectations of how the Group should operate.

The Board monitors the cultural dynamics of the Group through site visits, employee surveys and the activities of our workforce engagement. In addition, Miles Young is now the dedicated Non-Executive Director overseeing culture.

## Governance framework

The Group's governance framework consists of the Board of Directors and its Committees. Our Committees have delegated authority to operate within specified Terms of Reference, which are available on our website <https://www.s4capital.com/investors>. This framework enables the Company and its Directors to effectively discharge their duties and to comply with the UK Corporate Governance Code. ►

### Board of Directors

The Board has responsibility for the overall leadership of the Group, setting the Group's purpose, values and strategy and satisfying itself that these align with its culture, taking into consideration the views of shareowners and other key stakeholders, to promote the long-term sustainable success of the Group. It also has responsibility for the Group's performance and governance oversight, including evaluating and managing principal risks through an effective internal controls environment.

### Audit and Risk Committee

Ensures the governance and integrity of financial reporting and disclosures and reviews the controls in place. Oversees the internal audit function and the relationship with the external auditors, including monitoring independence. Also reviews the effectiveness of internal controls in the Group. Reviews and makes recommendations to the Board on the Group's risk appetite, risk principles and policies so the risks are reasonable and appropriate for the Group and can be managed and controlled within the limits of the Group's resources and appetite.

For more information see page 89.

### Nomination and Remuneration Committee

Responsible for reviewing the balance of skills, knowledge, experience and diversity of the Board and making recommendations for Board and Committee appointments and monitoring succession plans for the Board and senior management. Responsible for determining the remuneration and other benefits of Executive Directors. Reviews and approves the Remuneration Policy, ensuring that it is clear, simple, and aligned to culture. Recommends and monitors overall remuneration for senior management whilst considering employee remuneration and alignment of incentives and rewards with culture.

For more information see page 94.

### Senior management

Responsible for defining strategic proposals, implementing the Group Strategy, and reviewing its success, overseeing performance against the strategy and budget for each practice, promoting cultural development, and establishing and monitoring ESG strategy for the Group. Monitors the implementation and progress of risk mitigation.

## The role of the Board continued

### Role of the Board

The Board is collectively responsible for the effective oversight and the long-term success of the Company. The Board delegates some of its responsibilities to the Audit and Risk Committee and the Nomination and Remuneration Committee, through agreed Terms of Reference which were approved during the year and will be subject to annual review. The responsibilities of each Committee are described in the governance framework on page 83, in the Committee reports on pages 89-98 and are available on our website.

The Board also receives regular updates on the performance of the Group's businesses, operational matters and legal updates from the Executive Chairman, the Executive Directors and General Counsel and this provides opportunities for Board members to provide guidance and constructive challenge. All Board members have full access to the Group's advisers for seeking professional advice at the Company's expense.

### Division of responsibilities

The Board acknowledges that Sir Martin Sorrell's position as Chairman and Chief Executive Officer is a departure from the Code. The Independent Non-Executive Directors met during the year to review the Board structure including consideration of the ongoing suitability of the combined role. Sir Martin has been a leading figure in the marketing and communication services industry for over 40 years and the Board continues to be of the view that his expertise, knowledge and global network of relationships are an unparalleled advantage to the Group, the formulation and execution of its strategy and its day-to-day operations. In light of this, the Board believes that combining the roles of Chairman and Chief Executive continues to be in the best interests of the Company, our shareowners and other stakeholders.

Role	Responsibility
<b>Executive Chairman</b> Sir Martin Sorrell	Chairs the Board meetings, sets the Board agendas and promotes effective relationships between the Executive Directors and Non-Executive Directors.
<b>Senior Independent Director</b> Rupert Faure Walker	Provides a sounding board for the Executive Chairman and is available to act as an intermediary for other Directors when necessary. Responsible for reviewing the effectiveness of the Executive Chairman.
<b>Non-Executive Directors</b>	Independent of management and assist in developing and approving the strategy. Provide independent advice and constructive challenge to management, bring relevant experience and knowledge and serve on the Board Committees.
<b>General Counsel, Head of Compliance and Company Secretary</b> Caroline Kowall	Advises the Board on matters of corporate governance and ensures that the correct Board procedures are followed. All members of the Board and Committees have access to the services and support of the Company Secretary.

Further information on our Board roles and responsibilities are available on our website <https://www.s4capital.com/investors>.



## Directors' performance

During the year, the Executive Chairman held meetings with individual Directors at which, among other things, their individual performance was discussed. Informed by the Executive Chairman's continuing observation of individual Directors during the year, these discussions form part of the basis for recommending the election and re-election of Directors at the Company's AGM, and include consideration of the Director's performance and contribution to the Board and its Committees, their time commitment and the Board's overall composition.

## Executive Chairman's performance

Rupert Faure Walker in his capacity as the Senior Independent Director, led the annual performance review of the Executive Chairman. This involved meetings during the year with the Independent Non-Executive Directors, without the Executive Chairman being present. The Senior Independent Director provided feedback to the Executive Chairman.

## Election and re-election of Directors at the 2023 AGM

Colin Day joined the Board on 2 August 2022 and will be seeking election at the AGM.

The Board has confirmed that each Director continues to be effective and demonstrates commitment to their role. On the recommendation of the Nomination and Remuneration Committee, the Board will therefore be recommending that all other serving Directors be re-elected by shareowners at the 2023 AGM.

## B Shareowner

As the founder of the Group, Sir Martin Sorrell has been issued with a B Share which provides him with enhanced rights.

As the owner of the B Share, Sir Martin has the right to:

- appoint one Director of the Company from time to time and remove or replace such Director from time to time;
- ensure no executives within the Group are appointed or removed without his consent;

- ensure no shareowner resolutions are proposed (save as required by law) or passed without his consent; and
- save as required by law, ensure no acquisition or disposal by the Company or any of its subsidiaries of an asset with a market or book value in excess of £100,000 (or such higher amount as Sir Martin may agree) may occur without his consent.

The B Share will lose the B Share Rights if it is transferred by Sir Martin and also:

- (i) in any event after 14 years from 28 September 2018 (being the date on which the B Share was issued), or, if earlier, the date on which Sir Martin retires or dies; or
- (ii) if Sir Martin sells any of the Ordinary Shares that he acquired on 28 September 2018 (other than in order to pay tax arising in connection with his holding of such shares).

In order to ensure that Sir Martin's exercise of the rights attaching to the B Shares do not prejudice the Company's ability to comply with the Listing Rules, Sir Martin and the Company have entered into a relationship agreement. Pursuant to this relationship agreement, Sir Martin has undertaken to ensure that:

- transactions and arrangements with Sir Martin (and/or any of his associates) will be conducted at arm's length and on normal commercial terms;
- neither Sir Martin nor any of his associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Sir Martin nor any of his associates will propose or procure the proposal of a shareowner resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Group has policies in place to ensure that the rights attaching to the B Share are not infringed. ►

## The role of the Board continued

### Board evaluation

During the year, we undertook our first externally facilitated Board effectiveness review. This was led by Sean O'Hare of Boardroom Dialogue, who has no other connection with the Company or with individual Directors or executives.

The evaluation comprised of an observation of the Board meetings and one-to-one interviews with each of the Directors, the Company Secretary and the external legal adviser. In October, the Board discussed the outcomes of the evaluation and the proposed actions to enhance the effectiveness of the Board.

### The evaluation's conclusions

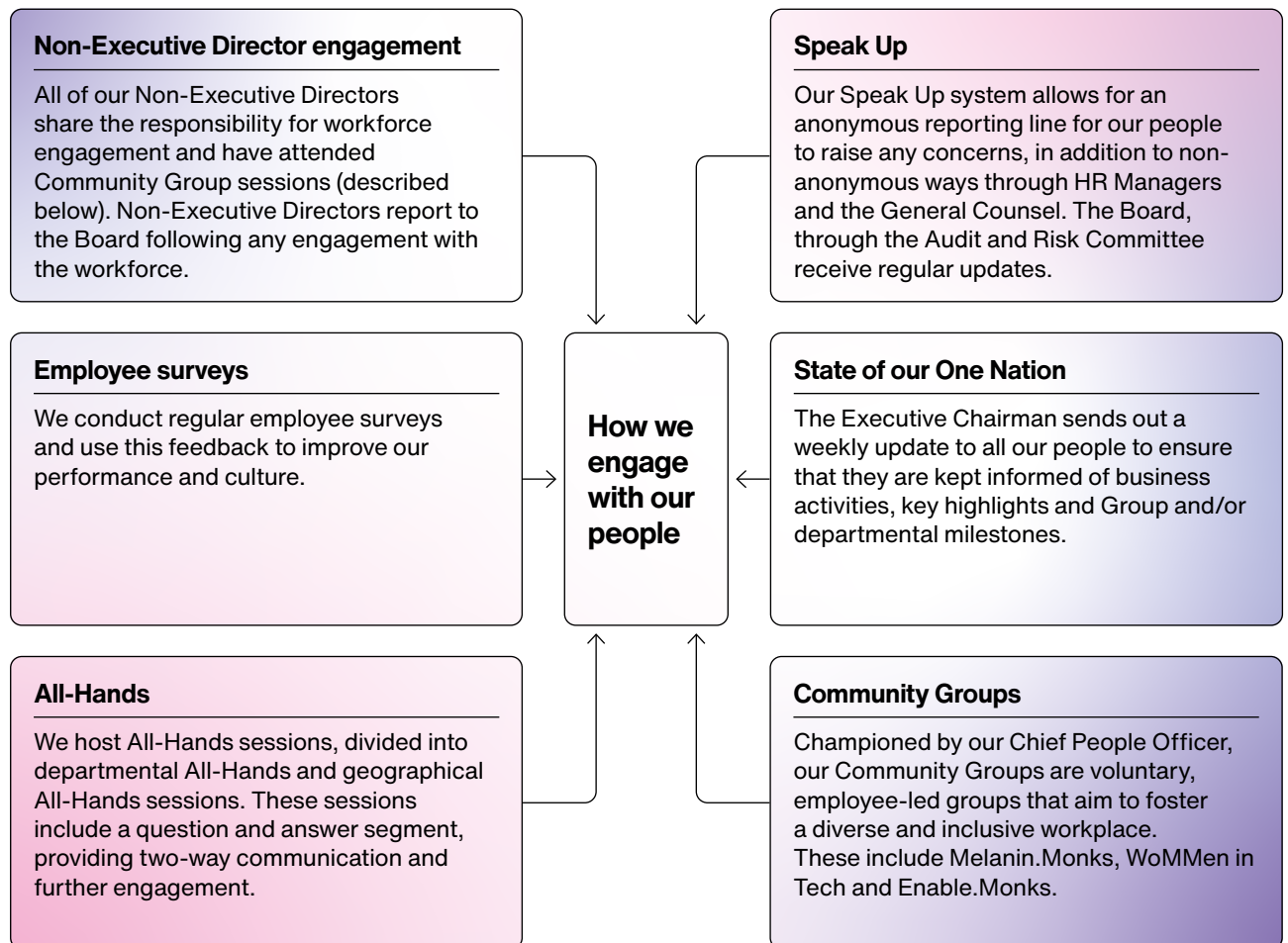
Boardroom Dialogue's independent review concluded that the Board and Committees perform effectively, with positive feedback from both within and outside the Board. The review highlighted that the Executive Chairman provides strong leadership to the Group. The Board was considered to be appropriately diverse, with a culture of trust between Board members, which encourages open and honest discussions and leads to constructive challenge of senior management.

The review concluded that, whilst the Board was operating effectively, there were further improvements to be made and the following key recommendations were agreed with the Board.

Topic	Recommendation	Progress/Plan of action
<b>Meeting administration, Board agenda and focus</b>	To strengthen the meeting administration process including creating a matters arising list to be reviewed at each meeting.	A more robust system of meeting administration has now been put in place, including matters arising and minutes of each meeting being shared in a timely manner.
	Consider holding private sessions, without management present, for the Board and its Committees during the year.	Meetings without management present are now held after all scheduled Board meetings and, for each of the Committees, meetings without management present are at the discretion of each Committee Chair.
	Consider streamlining the quarterly Board meeting papers.	All papers are reviewed by the Group CFO and General Counsel and the agenda clearly sets out what input is required from the Board.
<b>Board composition and succession planning</b>	The composition of the Board was considered to be effective. However, due consideration should be given to the Board skills matrix and the establishment of the timing and process for the appointment of new Board members.	The Nomination and Remuneration Committee's priorities for 2023 include reviewing the balance of skills and experience across the Board and succession planning for the Board and senior management.
	Executive Chairman to hold formal performance meetings with each Director and Senior Independent Director to provide feedback to Executive Chairman.	The Executive Chairman held performance meetings with each Director and the Senior Independent Director during the year.
		The Independent Non-Executive Directors held a meeting without management present to appraise the performance of the Executive Chairman and the Senior Independent Director provided feedback to the Executive Chairman.

## How we engage with our people

Our diverse and dedicated people underpin the success of our business. The Board uses a combination of both informal and formal engagement channels as detailed below:



# The role of the Board continued

## How we engage with our shareowners

Our main engagement methods are listed below:



### Annual Report and Accounts

Our Annual Report and Accounts is available to all shareowners, and we aim to make our Annual Report and Accounts as accessible as possible. Shareowners can opt to receive a hard copy in the post, or PDF copies via email or from our website. Shareowners can also contact our Company Secretary to request a copy via [cosec@s4capital.com](mailto:cosec@s4capital.com).



### Corporate website

Our website is regularly updated and has a dedicated investor section which includes all our Annual Report and Accounts, our results presentations and contact details.



### Annual General Meeting

The AGM provides an opportunity for our shareowners to question the Directors and the Chairs of each of the Board Committees. Information on the 2023 AGM is on page 119.



### Shareowners consultation

When considering material changes to our Board, strategy or our remuneration policies, we will always seek to engage with shareowners.



### Senior Independent Director

Should shareowners have any concerns, which the normal channels of communication to the Executive Chairman or Group CFO have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Rupert Faure Walker, is available to address them. Rupert can be contacted via the General Counsel and Company Secretary ([cosec@s4capital.com](mailto:cosec@s4capital.com)).



### Investor meetings

The Executive Chairman, together with the Group CFO and Chief Growth Officer meet with the Company's largest institutional shareowners to hear their views and discuss any issues or concerns. During the year the Executive Chairman, Group CFO and Chief Growth Officer held over 100 investor meetings, in person and virtually.

Following the announcement of our results, the Company's largest shareowners, together with financial analysts, are invited to a presentation with a question and answer session by the Executive Chairman, Group CFO and Chief Growth Officer. The webcasts are made available to all shareowners via the website.

# Audit and Risk Committee Report



**“ The Committee continued to play a key role in assisting the Board in its oversight responsibility and monitoring the integrity of the financial information”**

**Colin Day**

Chair, Audit and Risk Committee

## Letter from the Chair

### Committee Membership

#### Colin Day: Chair

Sue Prevezer  
Rupert Faure Walker  
Paul Roy

### Dear shareowners

I am pleased to present my first report as Chair of the Audit and Risk Committee, for the year ended 31 December 2022. I succeeded Rupert Faure Walker as Chair of the Committee in August 2022. I would like to thank Rupert for his invaluable contribution to the Committee over the last few years.

The Committee has been established by the Board primarily for the purpose of overseeing the accounting, financial reporting, internal controls and risk management processes and the audit of the financial statements of the Group. The Committee's role and responsibilities are set out in the Committee's Terms of Reference which are available on our website <https://www.s4capital.com/investors>. Since joining, I have developed my knowledge of the business to ensure that the Committee could fulfil its responsibility of assisting the Board's oversight of the quality and integrity of the Group's external financial reporting and accounting policies and practices and ensure there was no compromise in this regard.

I have visited several of our largest operational and accounting locations including London, the Netherlands, US and Latin America. During these visits, I spent a significant amount of time assessing the internal controls and processes, and establishing a rapport with our key stakeholders in the Finance and Compliance teams, as well as the internal and external audit functions.

During the year, the Committee focused its oversight on the development of the finance function, evolution of processes and controls, including addressing the issues identified during the 2021 audit and establishing an internal audit function. The Committee continued to play a key role in assisting the Board in its oversight responsibility and monitoring the integrity of the financial information for the benefit of our shareowners. This has included challenging management on the significant accounting judgements made in our financial reporting, as well as reviewing the analysis behind our viability statement.

### Update on 2021 audit issues

Following the delay of the 2021 Preliminary Results Announcement, significant changes and investments were made in financial reporting and control, internal audit, governance, risk and compliance. In 2022, several experienced finance professionals were appointed within the Group and practice ►

# Audit and Risk Committee Report continued

finance teams and there has been continued focus on improving the control environment particularly on processes and controls around revenue recognition.

## Significant issues considered by the Committee during the year

In discharging its duties by reviewing the financial accounts of the Company and the auditor's report, the Committee considered and discussed the following key financial matters:

- **Revenue recognition:** During the year, the Committee reviewed the Group's approach to revenue recognition, particularly for the Content segment. Due to the size and complexity of contracts in the segment, this required management's judgement and the Committee was satisfied with the approach taken. The Committee also reviewed the results of the work performed by the auditors in this area and the steps taken by management to facilitate a better understanding of the reporting standards across the Group.
- **Taxation:** During the year, the Committee assessed the reasonableness of the Group's provisions for uncertain tax positions. The Committee reviewed the appropriateness of the disclosures in the Annual Report, and the Board reviewed and approved the Group's tax strategy statement, which is available on the Company's website at [www.s4capital.com](http://www.s4capital.com).
- **Impairment review:** During the year, management undertook the annual impairment review, which was performed at the three cash generating units, being the Content, Data&Digital Media and Technology Services practices, and 4 Mile. The Committee reviewed management's approach and recommendations and concluded that management's assessment was appropriate.

## Audit and Risk Committee activities in 2022

The main areas of the Committee activities during 2022 financial year included:

### Financial and narrative reporting

- The material areas in which significant/key judgements were applied, based on reports from both the Group's management and the external auditor.
- The information, and underlying assumptions presented in support of the impairment, going concern and viability assessment.
- The consistency and appropriateness of the financial control and reporting environment.

### Internal control and risk management

- The Group's risk framework, including establishing the corporate risk framework and a robust review of the Company's principal and emerging risks and uncertainties.
- Enhancements to our internal controls, including establishing the minimum control standards for core financial controls, and updating the internal control manual and the finance manual.
- Received updates on the work on core financial controls.
- Received updates on information security and privacy risks.

### Compliance, whistleblowing and fraud

- Reviewed reports arising from the Speak Up line.

### Internal audit

- Appointed and onboarded Deloitte LLP as outsourced internal auditors.
- Approved the internal audit charter and annual plan.
- Reviewed key themes and findings from the internal audit reviews.

### External auditor

- Reviewed the scope of, and findings from, the external audit undertaken by PricewaterhouseCoopers LLP (PwC) as the external auditor.
- Assessment of the performance, continued objectivity and independence of PwC.
- Reviewed the non-audit services policy and processes.



### Committee effectiveness

- Updated the Committee Terms of Reference, which were approved by the Board.

### Key focus for 2023

Alongside the regular cycle of matters that the Committee schedules for consideration each year, we are planning over the next 12 months to focus on the following areas:

- appointing a Head of Internal Audit to further enhance and strengthen our internal controls environment;
- roll out of our compliance programme;
- further enhancement to our risk framework; and
- successful induction of a new PwC audit partner, in line with the audit partner rotation requirements.

### Financial Reporting Council (FRC)

During the year, the 2021 Annual Report and Accounts were reviewed by the FRC. They requested further information regarding the accounting for acquisitions including contingent consideration and holdbacks, employment-linked contingent consideration arrangements, and deferred equity consideration. We provided additional information and agreed to include additional disclosures in our 2022 Annual Report and Accounts. The FRC also requested information relating to the Alternative Performance Measures (APMs) disclosed in the Annual Report and Accounts, and how these measures reconciled to the statutory IFRS measures and why management considered them useful information regarding the Company's financial performance. We have provided additional APM disclosures in our 2022 accounts, including reconciling pro-forma measures to their IFRS equivalent and explaining the reason for use of the APM.

The FRC further requested clarification as to why Sir Martin Sorrell was not considered the ultimate controlling party of the Company, and they were satisfied with the information provided. No changes were required to the accounting applied in the Annual Report and Accounts 2021.

The FRC's review was intended to consider compliance with reporting requirements and was conducted by staff who have an understanding of the relevant legal and accounting framework, however lacking detailed knowledge of the Group's business or understanding of the underlying transactions entered into. As such, the FRC's review provides no assurance that the Group's reports and accounts are correct in all material respects and it should not be relied upon by the Group or any third party.

### Internal audit

The Committee is responsible for monitoring and reviewing the operation and effectiveness of the Group's Internal Audit function, including its independence, strategic focus, activities, plans and resources. During the year, Deloitte LLP ('Deloitte') were appointed as the Group's internal audit function with the aim to provide independent assurance as to the adequacy and effectiveness of the Group's internal controls and risk management systems.

Deloitte undertook a series of interviews across the Group which formed the basis for the internal audit plan. The Committee has received regular reports from the internal auditors, on the audits that they completed.

The Committee is satisfied that the Internal Audit function has the necessary integrity, objectivity, and competency to fulfil its mandate. It has also satisfied itself that the Internal Audit function has adequate standing and is free from management or other restrictions. ►

# Audit and Risk Committee Report continued

## External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor, PwC. This includes making recommendations to the Board concerning the appointment, reappointment and removal of the external auditor, as well as assessing its independence on an ongoing basis.

Mark Jordan was appointed as key audit partner in January 2019, when PwC was appointed as our external auditor. Having served the maximum five years, Mark Jordan will be handing over responsibilities to a new audit partner, with effect from the close of the 2022 audit.

During the year, the Committee reviewed the external auditor's performance, the Committee concluded that the external auditor remains independent, objective and effective in its role and therefore should be re-appointed for a further year. On the recommendation of the Committee, the Board is putting forward a resolution at this year's AGM to re-appoint PwC as external auditor for a further year.

The Committee's policy is that the external auditors should not undertake any work outside the scope of their annual audit and the review of the interim financial statements. The Committee has discretion to grant exceptions to this policy where it considers that exceptional circumstances exist and that independence can be maintained, whilst having due regard to the FRC's ethical standards for auditors. The Committee's approval is required to instruct PwC to perform non-audit services.

## Fees

The audit related fees for the year ended 31 December 2022 amounted to £4.2 million (2021: £1.7 million). The non-audit fees for the year ended 31 December 2022 amounted to £0.3 million (2021: 0.1 million). Further information is available on page 163.

## Fair, balanced and understandable

At the request of the Board, the Committee considered whether, in its opinion, the 2022 Annual Report, taken as whole, is fair balanced and understandable. In its review, the Committee examined the preparation and review process and considered the continuing appropriateness of the accounting policies, important financial reporting judgements and the adequacy and appropriateness of disclosures. Board and Committee members received drafts of the Annual Report for their review and input which provided an opportunity to discuss the drafts with both management and the external auditor, challenging the disclosures where appropriate.

Following its review and the Committee's recommendation, the Board believes that the 2022 Annual Report and financial statements is representative of the year and, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareowners to assess the Group's position, performance, business model and strategy.

## Going concern and long-term viability

The Directors considered the going concern position as detailed on page 139. Having reviewed and challenged the downside assumptions, forecasts and mitigation strategy of management, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period longer than 12 months from the date of signing the financial statements. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, having considered the longer-term viability assessment as detailed on page 27, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due and over the viability period to 2025.

## Managing risks and internal controls

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework in place and has delegated the responsibility for review of the risk management methodology and effectiveness of internal controls to the Audit and Risk Committee. During the year, the Board undertook a robust assessment of its principal and emerging risks and uncertainties and internal control systems.

During the year, the Committee reviewed the Group's financial reporting process controls, which are designed to mitigate the risks of financial misstatement and includes defined management review procedures to ensure accurate reporting, in line with Group accounting policies.

## Speak Up

The Committee oversees the Group's Speak Up Policy and procedures. During the year, the Board approved the revised Speak Up Policy which was communicated to the workforce. Concerns can be raised by employees with managers, human resources or the General Counsel or can be reported by anyone, anonymously, if necessary, to a confidential hotline. The Committee received regular reports on matters raised.

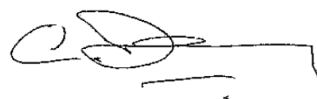
## Membership of the Committee and attendance at meetings

The Committee is comprised solely of independent Non-Executive Directors with a wide range of experience. As the Chairman of the Committee, I am considered by the Board to have recent and relevant financial experience. My biographical details and Committee members can be found on pages 74-77. Meeting attendance of the Committee members can be found on page 81. The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities. By invitation, the Executive Chairman, Group CFO, Group Financial Controller, General Counsel and Company Secretary, Deputy Company Secretary, representatives from the internal audit (Deloitte) and external auditors, (PwC) attend Committee meetings. The Committee met eight times during the year. To further facilitate open dialogue and assurance, the Committee holds private sessions with the auditors without members of management being present.

## Committee effectiveness

An evaluation of the effectiveness of the Board and its Committees was undertaken during the year, in line with the requirements of the UK Corporate Governance Code. The results confirm that the Committee is operating effectively. The Committee considers that during the year it continued to have access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. Further information on the Board effectiveness review is available on pages 85-86.

As Chair of the Audit and Risk Committee, I am available to shareowners and stakeholders should they wish to discuss any matters within this report or under the Committee's area of responsibility whether at the AGM or by writing to the General Counsel and Company Secretary at cosec@s4capital.com. ■



## Colin Day

Chair, Audit and Risk Committee

13 April 2023

# Nomination and Remuneration Committee Report



**“ The Committee recognises that having the right Directors and senior management in place is fundamental to our long-term success”**

**Paul Roy**

Chair, Nomination and Remuneration Committee

## Nomination and Remuneration Committee Report

### Letter from the Chair

#### Committee Membership

**Paul Roy: Chair**

Susan Prevezer

Rupert Faure Walker

### Dear shareowners

As Chair of the Nomination and Remuneration Committee, I am pleased to present the Committee's report for the financial year ended 31 December 2022. I have chaired the Committee since it was established in 2018. The other members of the Committee are Rupert Faure Walker and Sue Prevezer. All three of us are considered by the Board to be independent Non-Executive Directors.

### Board changes during the year

At the start of 2022, we welcomed Mary Basterfield to the Board as the new Group Chief Financial Officer. Mary's predecessor, Peter Rademaker, remained on the Board for a period as a Non-Executive Director but stepped down at the AGM in June. Pete Kim also stepped down from the Board at the AGM but remains with the Company. Colin Day joined the Board in August as an Independent Non-Executive Director and Chair of the Audit and Risk Committee. We sought external assistance

from Odgers Berndtson, an independent search firm with no other connection to S4Capital or any of our Directors, to assist in drawing up a list of suitable candidates. Odgers Berndtson also assisted with the search for our Group Chief Financial Officer in 2021. We carefully considered various options before recommending Colin's appointment to the Board. He brings extensive experience in both executive and non-executive roles and since joining the Board has added significant value to the work of the Audit and Risk Committee and the wider Board. In August, we announced the appointment of Christopher S. Martin to the new role of Chief Operating Officer.

### Succession planning

The Committee recognises that having the right Directors and senior management in place is fundamental to the Company's long-term success and a key responsibility of the Committee is to satisfy itself that a robust and rigorous succession planning process is in place, over both the medium term and long term. The Independent Non-Executive Directors and the Executive Chairman held a meeting to discuss the future succession arrangements for the Executive Chairman.

As part of its 2023 priorities, the Committee will develop and review the Board's skills matrix, which will include structure and composition,

skills and knowledge, independence, and diversity including gender and ethnicity. The Committee will focus on succession plans for key Board and Committee positions and increase its oversight over the succession arrangements of senior management to ensure a robust pipeline of future leaders.

### **Board diversity**

The Committee considered the recommendations set out in the FTSE Women Leaders Review, which recommends at least a 40% female representation of the Board. During the year, and as at the date on this report, we have achieved 33% female representation on the Board. The Committee is committed to improving the gender diversity across the Board. During 2022, and as at the date of this report, we met the requirement to have at least one senior Board position, being the Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director position held by a woman, with Mary Basterfield holding the position of Group Chief Financial Officer.

In 2023, the Board formally approved and published its Board Diversity Policy, which is available on our website [www.s4capital.com](http://www.s4capital.com). The Committee and the Board will continue to promote this Policy and its implementation.

The Board's Diversity policy supports the recommendations set out in the Parker Review on ethnic diversity, and the Hampton-Alexander Review on gender diversity.

During 2022, and as at the date of this report, the Board met the recommendation to have at least one Director from an ethnic minority on the Board. We currently have three Directors who identify as ethnic minority.

Further details of the Company's Diversity, Equity and Inclusion (DE&I) policy and the diversity of the workforce as a whole are set out in the ESG section of the Strategic Report. In addition, on page 80 we include details of the gender and ethnic balance across the Board and senior management.

### **Directors' Remuneration Policy**

The Committee is responsible for determining the Directors' Remuneration Policy, which provides the overall framework for payments to the Directors. No payment can be made to a Director which is inconsistent with the Policy. The Committee is also responsible for implementing the Policy and its application to specific Executive Directors. There are

formal and transparent procedures in respect of the Committee's work, based around a regular cadence of Committee meetings and additional support.

Shareowners approved a new Remuneration Policy at the AGM in June 2022. As explained last year, the new Policy is similar to that previously in place, although we made a number of minor amendments to ensure we retained an appropriate level of flexibility while bringing some Policy elements more into line with market practice. We adopted good practice features such as post-employment shareholding requirements and ensured alignment of Directors' pension provision with the wider workforce. The overall Policy has a focus on relatively limited fixed remuneration, a below-market annual bonus opportunity and an emphasis on long-term share ownership. Many of the Executive Directors are significant shareowners and the Policy is designed with this in mind. There are also significant levels of share ownership among the wider employee base.

### **Engagement with shareowners following the AGM**

We recognise that although the new Policy was approved at the AGM, it did not receive the support of all shareowners, with a 30% vote against the resolution. We had conducted an extensive consultation exercise with major shareowners in early 2022, prior to finalising the new Policy. Although some issues were raised at that stage, the overall feedback on the Committee's approach during the consultation was positive, and the AGM result was therefore disappointing. Following the vote, the Committee reviewed comments from those shareowners which had voted against the Policy and considered the views of the proxy advisory bodies. A number of points were raised, including in relation to the structure of the Incentive Share scheme. This scheme, in place since the Company was established in 2018, is not a conventional long-term incentive plan and does not fully comply with all standard governance features. However, it represents a significant way in which reward for participants is linked to the growth of the business and there are no current plans to change it.

The Committee engaged with shareowners in relation to the vote against the Policy at the 2022 AGM by inviting them to re-engage and share their views on the Policy, in order to understand their views and reasons for voting against the Policy. ►

# Nomination and Remuneration Committee Report continued

Although this process did not raise additional specific feedback, the Committee continued to reflect on and consider shareowner views on remuneration when implementing the Policy throughout 2022 and into 2023.

The result of the AGM and the Update Statement following the AGM can be found on our website <https://www.s4capital.com/investors>.

## Executive remuneration in 2022

The overall structure of remuneration for the Executive Directors in 2022 was consistent with the Remuneration Policy approved at the AGM and the implementation disclosures in last year's Directors' Remuneration Report. The only basic salary increase for the year was for Sir Martin Sorrell, whose salary increased to £250,000 to more fairly reflect his contribution to the business (while remaining significantly lower than salaries paid to CEOs of companies of a similar size to S4Capital). Each Executive Director participated in the annual bonus scheme for the year, with payments based on performance against both financial and non-financial measures. For the financial element we again focused on two performance indicators, gross profit growth and EBITDA margin, both of which are core indicators of the success of the strategy of the business. For the non-financial element, targets were set based on the ongoing integration of the various businesses within S4Capital (critical to the success of our strategy of building a unitary business model), DE&I and carbon emission reductions. The targets are set out on page 14.

After the year end, the Committee reviewed performance against the targets set. The gross profit target was met but EBITDA margin was below expectations; accordingly, participants earned one half of the bonus subject to financial measures. On the non-financial conditions, there was partial achievement of the DE&I and carbon emission targets. The integration measure was scored at zero, as although some improvements were made during the year, the Committee felt that there was insufficient overall progress in this area. The total bonus outturn was 40% of the maximum achievable.

In last year's report I explained the equity awards that had been agreed for Mary Basterfield linked to her recruitment. As part of these arrangements, in 2022 she was granted an award over shares with a face value of £500,000. This award was in two parts,

one a market-priced option and the other an award of conditional shares. The award was fully performance-based and linked to the achievement of gross profit growth and EBITDA margin targets for the 2022 financial year. The exact targets are set out on page 107. The Committee has reviewed the extent to which the targets were met and has concluded that 50% of the award will be capable of vesting. This reflects achievement of the gross profit target but a failure of the EBITDA margin target to be met. None of the shares to which Mary is now entitled will vest until 2026, four years after the initial grant, and this award is therefore considered by the Committee to be a genuine long-term incentive. Mary is gradually building a holding in S4Capital shares and in line with the Directors' Remuneration Policy is required to hold shares equivalent in value to at least 200% of her basic salary.

The Committee believes the Remuneration Policy operated as intended during 2022.

## Remuneration plans for 2023

For 2023, all elements of the Executive Directors' pay will continue to be in line with the approved Remuneration Policy.

As at the date of this report, the Committee has not yet finalised a decision on any salary increases to apply to the Executive Directors for 2023. Any increases, if agreed, will be effective no earlier than 1 April 2023 and, among other things, will take into account changes to Board roles and responsibilities as well as salary increases for the wider workforce. Full disclosure of any changes to Directors' salaries will be provided in next year's Directors' Remuneration Report at the latest.

As disclosed last year, the pension provision for certain Executive Directors has now reduced to the contribution rate available to the majority of UK employees. For Sir Martin Sorrell, this has resulted in a reduction in his pension from 30% of basic salary to 4% for 2023. All Executive Directors' pensions are now aligned with the wider workforce or to the legal requirements in place in their country of appointment.

Under the annual bonus scheme, Executive Directors will continue to have the opportunity to earn up to 100% of basic salary as a bonus, subject to the satisfaction of performance conditions linked to strategically important key financial and non-financial measures. 70% of the bonus will again be payable by reference to performance measured against



financial metrics, including net revenue growth and EBITDA margin. For 2023, we have also introduced a third financial measure, EBITDA to cash conversion, reflecting the increased internal focus on this metric. The remaining 30% of the bonus will be payable by reference to key non-financial objectives, including ESG performance, DE&I and measures linked to the ongoing integration of the various businesses within S<sup>4</sup>Capital.

A further share award will be made to Mary Basterfield in line with the terms of her appointment as summarised in last year's report. This award will again have a face value of £500,000 and be granted as a mix of market-priced options and conditional shares. The award will be capable of vesting subject to the achievement of key financial targets for the 2023 financial year. To the extent the targets are satisfied, the award will vest in 2026, three years after grant.

The exact targets for the annual bonus scheme and for Mary's share award are currently considered commercially confidential, but will be disclosed in full in next year's Directors' Remuneration Report alongside a discussion of the level of performance achieved.

The Committee is keeping under review the matter of whether any share incentives should be granted to other Executive Directors, although at the time of writing no formal decision has been made on this matter. Any awards, if made, will be consistent with the terms of the Directors' Remuneration Policy and full details will be provided in next year's Directors' Remuneration Report at the latest.

The Board (excluding the Non-Executive Directors) is responsible for determining Non-Executive Director fees. No changes to Non-Executive Director's fee levels are proposed for 2023.

### UK Corporate Governance Code

The Committee has always taken an approach to executive remuneration which is considered to be consistent with the Code's principles and the vast majority of its provisions. As we have now adopted formal reporting against the Code, we are confident that our overall approach is aligned to the Code and that we continue to comply with the vast majority of the provisions relating to Directors' remuneration.

The overall Directors' Remuneration Policy and the way it is implemented is aligned with the strategy of the business and the promotion of long-term sustainable success. A key component of the incentive schemes is rewarding the achievement of challenging targets based on financial measures which include net revenue growth and EBITDA margin, two of the key financial indicators of the business which are closely tracked internally and by S<sup>4</sup>Capital's shareowners and market analysts. This is supplemented by a focus on non-financial measures which are critical to the long-term value of the business, such as ensuring that the Company has an appropriately diverse workforce and is managing its responsibilities to society. In addition, the ultimate value of the Incentive Share scheme to participants is closely correlated with the long-term success of the business since its foundation in 2018 and incorporates an extended vesting period, consistent with the expectations of the Code.

During 2022, the Committee further expanded its oversight of wider workforce remuneration. This has included consideration of management's ongoing work in harmonising and integrating reward policies across the various businesses within S<sup>4</sup>Capital, and approving an approach to equity incentives which ensures greater consistency for rewarding key talent and offering appropriate incentives to new joiners across the Company.

We have also begun a process of engaging directly with the workforce on remuneration matters. I met with a number of employees from across the business in early 2023 to explain the Committee's approach to Directors' remuneration and its alignment with the pay approach for the wider workforce. This provided some useful insight into pay practices across the Company. The Committee will build on this process when organising further employee engagement sessions in future years.

The Committee has sought to ensure that the Directors' Remuneration Policy and its implementation are consistent with the factors set out in Provision 40 of the Code:

- **Clarity:** Remuneration arrangements for the Executive Directors are set out transparently in this report, allowing shareowners to understand the nature of the specific incentive schemes and payments under those schemes. As noted above, during the year we engaged with major shareowners on the Remuneration Policy and also started ►

# Nomination and Remuneration Committee Report continued

a process of engagement with the wider workforce on remuneration matters.

- **Simplicity:** The structure of the Remuneration Policy for the Executive Directors is simple and straightforward. At present, the only incentive scheme in which all Executive Directors participate is the annual bonus scheme. The Incentive Share scheme – which applies to two Directors only (including the Executive Chairman) – has a very simple structure.
- **Risk:** The Committee is aware that the Incentive Share scheme may result in the issue of shares to participants of a significant value. However, such awards will be consistent with the creation of shareowner value since the foundation of S<sup>4</sup>Capital and therefore very clearly tied to the performance of the business. Any reputational risk triggered by a perception of excessive rewards which are divorced from the underlying performance of the business is therefore limited.
- **Predictability:** Rewards available to Executive Directors under their fixed remuneration arrangements and the annual bonus scheme are limited in scope and reasonably predictable in value (subject to the satisfaction of the bonus performance conditions). The equity incentives awarded to the Group CFO will vary in value depending on the achievement of the performance conditions and the share price as at the date of vesting. The ultimate value of the Incentive Share scheme is hard to predict exactly, but it will correlate with growth in shareowner value since S<sup>4</sup>Capital's inception.
- **Proportionality:** The annual bonus scheme, the Incentive Share scheme and the equity awards to the CFO tie individual reward closely to the performance of the business. The targets for the bonus scheme and the CFO's awards are linked to core financial priorities and key non-financial objectives. The Incentive Share scheme rewards the generation of value for shareowners. As such, payouts under these schemes will be reflective of the success or otherwise of the strategic direction which has been set for the Group.
- **Alignment to culture:** S<sup>4</sup>Capital is continuing to build a new age/new era, digital, data-driven, unitary business. Our incentive schemes for Directors and for employees across the Group more widely are increasingly aligned and are all designed to ensure that performance is rewarded

which supports overall business goals and is consistent with the purpose and culture of the Group.

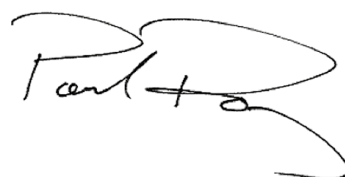
There are two areas where we do not fully comply with the remuneration-related elements of the Code:

- **Provision 36:** The CFO's equity awards agreed as part of her recruitment do not have a total vesting and holding period of five years or more. The full rationale for the structure of these awards was set out in last year's Directors' Remuneration Report. The Committee believes they are appropriate for S<sup>4</sup>Capital in the context of the need to offer a competitive recruitment package which is aligned to the interests of the business.
- **Provision 37:** The Incentive Share scheme does not include malus or clawback provisions, and nor does the Committee have the ability to override the formulaic outcome of the scheme. This is due to the long-term nature of the plan and the fact that participants in the scheme can only receive benefits once shareowners have experienced significant growth in the value of their investment. In line with the Code, the other incentives in place for Directors (the annual bonus scheme and the equity incentives for the CFO) include malus and clawback provisions and provisions which give the Committee the ability to override the formulaic outcome of the performance tests if deemed appropriate. Similar arrangements will apply to any new long-term incentive offered to the Executive Directors in the future.

## Discretion

The Committee oversees the application of discretion in accordance with the Remuneration Policy. The Committee has not applied any discretion in the year under review.

I remain open to shareowners should there be any matters that they wish to raise directly. ■



**Paul Roy**  
Chair, Nomination and Remuneration Committee

13 April 2023

# Remuneration Report

## Summary of the Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareowners at the AGM on 16 June 2022 and will continue to apply until no later than the AGM in 2025. Payments to Directors and payments for loss of office can only be made if they are consistent with the terms of the approved Remuneration Policy. The Committee will be required to seek shareowner approval for an amendment to the Policy if it wishes to make a payment to a Director which is not envisaged by the approved Policy. The Committee is not seeking to make any changes to the Policy at the AGM in 2023.

A summary of the key features of the Policy is included below. The full Policy can be found on pages 71-80 of the 2021 Annual Report and is also available on the Group's website at <https://www.s4capital.com/investors>. If there is any discrepancy between the summary and the full Policy, the full Policy will prevail.

## Policy table for Executive Directors

The table below sets out the core components of the remuneration package for Executive Directors and explains the purpose of each element and how it furthers the strategy of the Group. The table also summarises the operation of each element and its performance conditions (where relevant), the maximum reward opportunity and the relevant performance metrics. ►

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
<b>Base salary</b>	A fixed element of the Executive Directors' remuneration, intended to provide a base level of income.	Salary is reviewed annually and otherwise by exception. Takes into account the role performed by the individual and information on the rates of pay for similar jobs in companies of comparable size and complexity. Salary is typically below market rates.	Annual increases will ordinarily be in line with awards to other people within the Group. Consistent with other roles within the Group, other specific adjustments may be made to take account of any changes to individual circumstances, such as an increase in scope and responsibility, an individual's development and performance in the role and any realignment following changes in market levels.	An individual's performance is one of the considerations in determining the level of annual increase in salary.
<b>Benefits</b>	A fixed element of the Executive Directors' remuneration, intended to attract, retain and motivate them, whilst remaining competitive.	Benefits such as insurance, fully-expensed transportation, private medical insurance and life assurance may be paid to the Executive Directors in line with market practice.	Benefits are set at a level which the Nomination and Remuneration Committee considers to be commensurate with the role and comparable with those provided in companies of a similar size and complexity.	n/a
<b>Pension</b>	A fixed and standard element of the Executive Directors' remuneration to support retirement.	Takes into account the role performed by the individual, the level of pension provided to the wider workforce, and the legal requirements in the country of appointment. Payment may be made into a company pension scheme, private pension plans or paid cash in lieu.	Until 31 December 2022, for incumbent Directors only, maximum 30% of base salary. For new appointments and from 1 January 2023 for incumbent Directors, the maximum level of pension contribution has been aligned with the rate payable to the majority of the workforce or the legal requirements in their country of appointment.	n/a

# Remuneration Report continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
<b>Annual bonus scheme</b>	The annual bonus scheme is intended to reward Executive Directors for their achievements and the performance of the Group in the financial year.	Following the end of each financial period, the Nomination and Remuneration Committee reviews actual performance against the objectives set under the scheme and determines awards accordingly. Awards are normally paid in cash but the Nomination and Remuneration Committee has discretion to determine if a proportion of the bonus should be invested in shares. At the discretion of the Committee, for certain leavers, a pro-rata annual bonus may become payable at the normal payment date for the period of employment and based on full-year performance.	Maximum 100% of basic salary.	The targets against which annual performance is judged are determined annually by the Nomination and Remuneration Committee. Annual performance is assessed against a combination of financial, operational strategic and personal goals. Malus and clawback provisions apply to payments under the annual bonus scheme. For more details see page 106.
<b>Incentive Share Scheme</b>	The Incentive Shares and Options are intended to motivate the Executive Directors who are invited to subscribe for them to contribute towards the long-term development of the Group.	The Nomination and Remuneration Committee reviews the development of the Group against the terms of the scheme.	In aggregate, for all holders of Incentive Shares and Options, 15% of the growth in value of S <sup>4</sup> Capital 2 Limited, as described on page 110.	A compound annual growth rate of 6% since the foundational investment into S <sup>4</sup> Capital 2 Limited, as described on page 110.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
<b>Employee Share Ownership Plan</b> This is the plan structure under which the equity awards to the CFO have been granted.	Motivate and incentivise employees and Executive Directors to contribute to the long-term development of the Group. As set out below, Executive Directors may become eligible to participate in other long-term incentive arrangements if deemed appropriate.	Awards over shares which, for Executive Directors, vest subject to the satisfaction of performance conditions. The vesting period will be up to four years. Awards can be structured as options (with or without an exercise price) or conditional share awards.	For Executive Directors, 200% of salary per annum.	In relation to awards made to Executive Directors, performance conditions will be linked to key strategic priorities or other targets identified at the time of grant. Malus and clawback provisions apply to these awards.
<b>Share ownership guidelines</b>	Requires the Executive Directors to hold a minimum level of shares both during and after the period of their employment.	Executive Directors are encouraged to build up and then subsequently hold a minimum level of shareholding as soon as reasonably practicable following appointment with the expectation that this will normally be within five years of appointment. Executive Directors are also required to maintain a minimum level of shareholding for a period of two years following the cessation of their employment.	The minimum shareholding which should be built up by an Executive Director is a holding equivalent in value to 200% of their basic salary. Executive Directors must also maintain a shareholding for a minimum period of two years following the cessation of their employment of the lower of (1) the in-employment shareholding requirement of 200% of salary and (2) the individual's actual shareholding at the time of their departure.	n/a

### Malus and clawback

The annual bonus scheme includes malus and clawback provisions which may be invoked by the Nomination and Remuneration Committee at its discretion within the two-year period following the payment of any bonus in the following circumstances:

- a material misstatement of the financial results of the Company;
- the identification of an error in the calculation of the grant or determination of a performance target;
- action or conduct which amounts to fraud or gross misconduct or other circumstances which would have warranted summary dismissal;
- a material failure of risk management;
- circumstances which have a significant impact on the reputation of the Group; and/or
- the insolvency of the Group.

The equity incentives granted to the CFO under the Employee Share Ownership Plan are subject to similar malus and clawback provisions. Furthermore, the Committee intends that similar provisions will be applied to any new long-term incentive scheme put in place during the lifetime of the Remuneration Policy. ►

# Remuneration Report continued

Due to the long-term nature of the rewards offered by the Incentive Share scheme, which only allows the owners of the Incentive Shares to receive benefits under the scheme once shareowners have experienced significant growth in the value of their investment, there are no malus and clawback arrangements in respect of awards under this scheme. Awards are, however, subject to leaver provisions intended to motivate holders to remain with the Group over the long term (up to 14 years), subject to extension.

## Nomination and Remuneration Committee discretion

The Nomination and Remuneration Committee will operate the incentive schemes in accordance with the relevant scheme rules. Consistent with standard market practice, the Committee has certain discretions regarding the operation and administration of these schemes, including as to:

- participants;
- timing of grants or awards;
- size of awards;
- determination of how far performance metrics have been met;
- treatment of leavers or arrangements on a change of control; and
- adjustments of targets and/or measures if required following a specific event (e.g. material acquisition or disposal).

Any use of these discretions would be explained in the annual report on remuneration for the relevant year.

In addition, and in accordance with good practice, the Committee has the discretion to adjust the formulaic outcome of the annual bonus scheme and the equity awards granted to the CFO to reflect overall business performance over the vesting period. A similar discretionary override would be put in place for any new long-term incentive arrangement put in place during the lifetime of the Remuneration Policy.

## Additional long-term incentive arrangements

Under this Remuneration Policy, the Committee has the flexibility to agree additional long-term incentive arrangements for Executive Directors during the lifetime of the Policy. This reflects the fast-moving nature of the business environment and the potential need to react quickly to changing circumstances without needing formal shareowner approval for an amendment to the Policy. Any new scheme would be aligned to the Company's medium and long-term strategy and would include appropriate performance metrics linked to the financial performance of the Company (unless the Committee determines that other targets are appropriate).

If any new long-term incentive plan is established, the limit on the size of individual awards would be a grant over shares worth up to 200% of base salary each year if granted as performance shares (with flexibility to increase to 250% of basic salary in exceptional circumstances). If other types of award are made, these would have a similar equivalent fair value. Such awards would vest over a period of up to four years, subject to the satisfaction of performance targets as noted above.

## Recruitment

When hiring a new Executive Director, the Committee will use the Remuneration Policy as the initial basis for formulating the individual's package. To facilitate the hiring of candidates of the appropriate calibre to implement the Group's strategy, the Committee may include any other remuneration component or award not explicitly referred to in this Remuneration Policy (or a higher award opportunity than that set out in the Remuneration Policy table) sufficient to attract the right candidate. Any long-term incentive award granted to a new appointee would be up to a maximum of 250% of basic salary per annum.

Awards outside the normal policy would only be made (i) if they are considered a necessary part of an acquisition which involves a new Director joining the Board and/or (ii) to buy out awards being foregone by the incoming Executive Director, with the value of these buyout awards reflecting the value of the awards foregone. It is the Committee's intention that any buyout award would reflect the same delivery vehicle, performance and vesting horizon of the awards foregone. Where the recruitment requires the individual to relocate, appropriate relocation costs may be offered.

In determining the appropriate remuneration, the Committee will take into consideration all relevant factors, including the quantum and nature of the remuneration, to ensure the arrangements are in the best interests of the Company and its shareowners.



## Contracts of service

The Company's policy is to offer contracts of employment that attract, motivate and retain skilled people who are incentivised to deliver the Company's strategy.

The Executive Directors have service agreements with the Company but are remunerated pursuant to agreements concluded with other entities in the Group. A summary of the agreements pursuant to which the Executive Directors are remunerated is set out below. With the exception of the initial three-year terms set out in the agreements for Sir Martin Sorrell and Christopher S. Martin (see below), none of the contracts include a fixed term. The service agreements are available for inspection at the Company's registered office.

Director	Date of appointment	Date of contract	Notice period (months)
Sir Martin Sorrell	28 September 2018 <sup>1</sup>	24 June 2018	12 <sup>2</sup>
Victor Knaap	4 December 2018	18 January 2021 <sup>3</sup>	12 <sup>4</sup>
Wesley ter Haar	4 December 2018	18 January 2021 <sup>3</sup>	12 <sup>4</sup>
Christopher S. Martin	24 December 2018	24 December 2018	At will <sup>2</sup>
Scott Spirit	18 July 2019	2 July 2019	12
Mary Basterfield	3 January 2022 <sup>5</sup>	14 November 2021	12

### Notes:

1. Sir Martin has acted as a Director of S<sup>4</sup>Capital 2 Limited since its foundation on 23 May 2018, which is the effective date of the start of his employment pursuant to his service agreement.
2. After a three-year initial term.
3. New contracts with Victor Knaap and Wesley ter Haar were signed on this date, superseding the contracts dated 9 July 2018.
4. Notice period from Company. Notice period from Executive Director is 6 months based on Dutch legal requirement that it is half of period required from Company.
5. Date of appointment as a Director. Joined the Company on 13 December 2021.

## Policy on payments for loss of office

The service agreements for the Executive Directors allow for lawful termination of employment by making a payment in lieu of notice, by making phased payments over any remaining unexpired period of notice, or, in relation to contracts governed by Californian law, by paying 12 months' base salary. There is no automatic or contractual right to annual bonus payments. At the discretion of the Committee, for certain leavers, a pro rata annual bonus may become payable at the normal payment date for the period of employment and based on full year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the annual Remuneration Report.

The equity incentives awarded to the CFO under the Employee Share Ownership Plan include customary leaver provisions. In certain specific 'good leaver' circumstances (death, illness or disability, the business for which the individual works no longer being part of the Group, or any other reason determined by the Committee), the Committee may determine that awards which have not vested at the date of cessation shall continue and be available for vesting on the normal vesting date. The extent of vesting will depend upon the satisfaction of the relevant performance conditions. The award will also be subject to a pro-rata reduction to reflect the number of completed days in the period between the grant date and the date of cessation as a proportion of the total number of days in the vesting period. The Committee has the discretion to disapply this time pro-rating if deemed appropriate. If the Committee deems the individual to be a 'bad leaver', then any unvested award will lapse immediately on the date of cessation.

In the event of a change of control or winding up of the Company, the Committee has the discretion to determine that the performance conditions will continue to apply, and that the number of shares which vest will be subject to pro-rating to reflect the number of completed days between the grant date and the date of the corporate event.

The Committee reserves the right to make additional liquidated damages payments outside the terms of the Directors' service contracts where such payments are made in good faith in order to discharge an existing legal obligation, or by way of damages for breach of such an obligation, or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. ►

# Remuneration Report continued

## Statement of consideration of employment conditions elsewhere in the Group

The Group operates in fast-moving sectors across multiple jurisdictions and with employees who have joined the Group following the acquisitions that have been made since S<sup>4</sup>Capital was established. Pay levels and structures for people across the organisation are designed to be competitive and to reflect the dynamics in specific markets.

## Consideration of shareowner views

The Committee considers it extremely important to maintain open and transparent communication with the Company's shareowners. The views of shareowners are received through various avenues, such as at the AGM, during meetings with investors and through other contact during the year. These views are considered by the Committee and help to inform the development of the overall Remuneration Policy.

In early 2022 the Chairman of the Committee wrote to major shareowners and the leading proxy voting agencies to seek their feedback on the shape of the Policy and the proposed changes which were ultimately approved at the AGM in June 2022. The comments received were considered by the Committee and taken into account when finalising the Policy. As explained on page 114 the Committee also considered the views of shareowners following the outcome of the AGM.

## Policy table for the Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
<b>Fees</b>	To attract and retain Non-Executive Directors with adequate experience and knowledge.	The fees of the Non-Executive Directors are determined by the Board based upon comparable market levels and time commitment. The Non-Executive Directors do not participate in any performance-related incentive arrangements, nor do they have any entitlement to benefits or pension contributions. Directors may be paid additional amounts for services such as acting as the Senior Independent Director or as a Committee Chair.	The maximum fees payable are subject to an aggregate annual limit as set out in the Articles of Association which is currently £500,000.	n/a

## Fees

The Board (excluding the Non-Executive Directors) is responsible for determining the fees for the Non-Executive Directors.

## Letters of appointment

The terms of appointment of the Non-Executive Directors are set out in their respective letters of appointment. Appointment as a Non-Executive Director is subject to a three-month notice period. The Group has no obligation to make termination payments if a Non-Executive Director is not re-elected as a Director at an AGM.

The appointments of Rupert Faure Walker and Paul Roy are governed by their appointment letters with S<sup>4</sup>Limited, which remained in place following the completion of the Company's acquisition of S<sup>4</sup>Capital 2 Limited on 28 September 2018.

Director	Date of appointment	Date of letter of appointment	Notice period (months)
Rupert Faure Walker	28 September 2018	24 June 2018	3
Paul Roy	28 September 2018	24 June 2018	3
Sue Prevezer	14 November 2018	9 July 2018	3
Daniel Pinto	24 December 2018	9 July 2018	3
Elizabeth Buchanan	12 July 2019	11 June 2019	3
Naoko Okumoto	10 December 2019	9 December 2019	3
Margaret Ma Connolly	10 December 2019	6 December 2019	3
Miles Young	1 July 2020	30 June 2020	3
Colin Day	2 August 2022	2 August 2022	3

## Recruitment of new Non-Executive Directors

Any new Non-Executive Director appointed during the period covered by this Remuneration Policy will have their remuneration set in line with the provisions of the Policy table above.

## Annual Remuneration Report

The information provided in this Annual Remuneration Report is subject to audit where indicated. Details of the Directors' interests in the share capital of the Company are set out on page 109.

The remuneration of the Executive Directors for the year to 31 December 2022 is presented below with a comparison for the year to 31 December 2021. ►

## Executive Directors' remuneration as a single figure (audited)

£000	Salary		All taxable benefits <sup>1</sup>		Annual bonus		Incentive shares		Pension		Other		Total		Total fixed Remuneration		Total variable Remuneration	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sir Martin Sorrell	250	100	84	73	100	-	-	-	75	30	-	-	509	203	409	203	100	-
Victor Knaap <sup>2</sup>	180	181	15	15	74	-	-	-	7	7	-	-	276	203	202	203	74	-
Wesley ter Haar <sup>2</sup>	180	181	15	15	74	-	-	-	7	7	-	-	276	203	202	203	74	-
Peter Rademaker <sup>2,3</sup>	20	253	-	-	-	-	-	-	1	12	-	-	21	265	21	265	-	-
Pete Kim <sup>4,5</sup>	77	151	-	6	-	-	-	-	2	5	-	-	79	162	79	162	-	-
Christopher S. Martin <sup>4</sup>	168	151	-	16	69	-	-	-	5	5	-	-	242	172	173	172	69	-
Scott Spirit <sup>6</sup>	319	292	21	19	133	-	-	-	32	29	-	-	505	340	372	340	133	-
Mary Basterfield <sup>7</sup>	370	-	-	-	148	-	-	-	15	-	180	-	713	-	385	-	328	-
<b>Total</b>	<b>1,564</b>	<b>1,309</b>	<b>136</b>	<b>144</b>	<b>598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144</b>	<b>95</b>	<b>180</b>	<b>-</b>	<b>2,621</b>	<b>1,548</b>	<b>1,843</b>	<b>1,548</b>	<b>778</b>	<b>-</b>

### Notes:

1. Taxable benefits include amounts relating to health insurance.
2. The remuneration of Victor Knaap, Wesley ter Haar and Peter Rademaker is converted into sterling from euros using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
3. Peter Rademaker stepped down as an Executive Director on 3 January 2022. As disclosed in last year's Directors' Remuneration Report, he received no payments for loss of office but remained employed by the Company until 31 January 2022, during which time he received his salary and other fixed pay, as disclosed in the table above. He served on the Board as a Non-Executive Director until 16 June 2022.
4. The remuneration of Pete Kim and Christopher S. Martin is converted into sterling from US dollars using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
5. Pete Kim stepped down as an Executive Director on 16 June 2022. He received no payment for loss of office and remains employed by the Group.
6. The remuneration of Scott Spirit is converted into sterling from Singaporean dollars using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
7. Mary Basterfield was appointed to the Board on 3 January 2022. The amount disclosed under "Other" is the value at the end of the year of equity awards granted during the year, for which performance was measured over the financial year ended 31 December 2022, and reflecting performance achievement of 50%. £55,457 of the amount disclosed under "Other" is attributable to share price appreciation. None of the shares subject to this award will vest until August 2026, being four years from the date of grant. Further details on this award and its value at the end of the year can be found on page 107.

# Remuneration Report continued

## Salary (audited)

The annual salaries for the Executive Directors for 2022 were as follows:

Sir Martin Sorrell	£250,000
Victor Knaap	€210,000
Wesley ter Haar	€210,000
Christopher S. Martin	\$207,360
Scott Spirit	SG\$540,000
Mary Basterfield	£370,000

## Pension (audited)

For 2022, Sir Martin Sorrell was provided with a lump sum pension contribution equivalent to 30% of his annual base salary, which was paid as a cash amount in lieu of pension. Scott Spirit received a pension contribution at a rate of 10% of his annual base salary which was paid into the Company's pension scheme. Mary Basterfield received a pension contribution at a rate of 4% of basic salary, in line with the rate available to the wider UK workforce. Victor Knaap and Wesley ter Haar received Dutch age-related pension contributions. Pension contributions were made to Pete Kim and Christopher S. Martin via a US 401(k) plan.

## Annual bonus scheme (audited)

The 2022 bonus scheme was based on the achievement of performance targets linked to the Group's strategic priorities. 70% of the bonus was payable by reference to performance against Group financial metrics, and the remaining 30% was payable by reference to key non-financial objectives.

The specific financial metrics are set out in the table below.

	Weighting (% of total bonus)	Targets	Achievement
Gross profit (net revenue)	35%	25% growth on like-for-like basis vs FY21	25.9%
EBITDA margin	35%	20% as percentage of gross profit	13.9%

For the 30% of the bonus subject to non-financial objectives, targets were set based on the ongoing integration of the various businesses within S<sup>4</sup>Capital, diversity and inclusion and carbon emission reductions, as summarised below.

Objective	Targets	Weighting (% of total bonus)	Achievements	Score
<b>Integration</b>	<ul style="list-style-type: none"> <li>Unifying business processes to improve efficiency and further enhance the 'one S<sup>4</sup>Capital' approach.</li> <li>Identifying and managing execution of opportunities to integrate the S<sup>4</sup> Group's physical presence.</li> <li>Working as an integrated team to identify and execute opportunities to grow the top line.</li> </ul>	15%	<ul style="list-style-type: none"> <li>Whilst some improvements were made toward the integration goal, the Committee concluded that the progress made was not sufficient hence the targets were deemed as not met.</li> </ul>	0%
<b>Diversity, Equity and Inclusion</b>	<ul style="list-style-type: none"> <li>Progress in achieving the Group's Black representation goal of 13%.</li> <li>Progress in achieving the women in leadership goal of 50%.</li> </ul>	7.5%	<ul style="list-style-type: none"> <li>Black representation in US has improved to circa 6% in 2022.</li> <li>Women in leadership increased to circa 40% in 2022.</li> </ul>	2.5%

Objective	Targets	Weighting (% of total bonus)	Achievements	Score
<b>Carbon emission reductions (ESG)</b>	<ul style="list-style-type: none"> <li>Set the Science-Based Emission Targets for the next 10 years.</li> <li>As far as possible, to have achieved the annual emission reduction target for FY22.</li> </ul>	7.5%	<ul style="list-style-type: none"> <li>Letter of commitment submitted to SBTi.</li> </ul>	2.5%

The Committee considered in detail the achievements against both the financial and non-financial targets as set out above. On the financial measures, the Committee noted the gross profit target had been met but the level of EBITDA margin recorded for the year was below the target set. As a result, half of the bonus for financial performance was achieved (35% out of a maximum of 70%). On the non-financial measures, the Committee determined that the DE&I and ESG elements had been partially met as, although some progress had been made, not all targets had been met in full. As noted in the table above, the integration measure was scored at zero because although there was some evidence of improvements during the year, the Committee and the wider Board felt that there was insufficient overall progress in this area. A total of 5% (out of a maximum of 30%) was agreed for the non-financial measures. This resulted in an overall bonus outturn of 40% of the maximum achievable.

As a result, bonuses were agreed for the Executive Directors as set out below. All bonuses were paid in cash.

	Maximum bonus entitlement (% of salary)	Maximum bonus payable 000	Bonus achieved (% of max)	Actual bonus payable 000
Sir Martin Sorrell	100%	£250	40%	£100
Victor Knaap	100%	€210	40%	€84
Wesley ter Haar	100%	€210	40%	€84
Christopher S. Martin	100%	\$207	40%	\$83
Scott Spirit	100%	SG\$540	40%	SG\$216
Mary Basterfield	100%	£370	40%	£148

### Share award for the Group Chief Financial Officer (audited)

In accordance with the terms of her appointment and as described in last year's report, Mary Basterfield will receive four separate grants of equity over the first four years of her appointment. Each award will have a face value of £500,000, being equivalent to approximately 135% of her basic salary for 2022.

The first award was granted during the year under review as a mix of market-priced options and conditional shares. The use of market-priced options for half of the grant ensures a focus on share price growth as well as the performance conditions attached to the award.

The award was granted with the following performance conditions to be met over the 2022 financial year.

	Weighting (% of total award)	Targets	Achievement
Gross profit (net revenue)	50%	25% growth on like-for-like basis vs FY21	25.9%
EBITDA margin	50%	20% as percentage of gross profit	13.9%

In light of the level of gross profit growth and EBITDA margin for the year, the Committee determined that the conditions had been partially met, with the gross profit target being achieved but the Company not meeting the EBITDA margin target. Accordingly, 50% of the award will lapse. The remaining 50% will vest in August 2026, being four years after the grant date. There are no additional performance conditions which must be met prior to the vesting date. In light of the extended vesting period, the Committee believes that this award is a genuine long-term incentive. Mary's entitlement to the award will lapse in the event of her being deemed a bad leaver prior to the vesting date.

The number of shares awarded and the number scheduled to vest following the assessment of the performance condition is set out in the table on page 108. ►

# Remuneration Report continued

Director	Date of grant	Face value of award	Number of shares/ options awarded <sup>1</sup>	Exercise price (£)	Vesting proportion	No. of shares/ options to vest	Value as at 31 Dec 2022 <sup>3</sup>	Vesting date
Mary Basterfield	2 Aug 2022	£250,000	165,618 share options	1.509 <sup>1</sup>	50%	82,809	£27,729	2 Aug 2026
	2 Aug 2022	£250,000	165,618 conditional shares	n/a <sup>2</sup>	50%	82,809	£152,729	2 Aug 2026

**Notes:**

1. The number of shares awarded and the exercise price for the share options was based on the 30-day volume weighted average price per share, as calculated on the date of grant.
2. These awards were granted as conditional share awards and do not have an exercise price.
3. The value of the awards has been calculated based on a share price of £1.8443, being the average share price over the final three months of the 2022 financial year. Of the total value, £27,729 for the share options and £125,000 for the conditional shares is deemed attributable to share price appreciation since the date of grant.

## Non-Executive Directors' remuneration as a single figure (audited)

£000	Year to 31 December 2022	Year to 31 December 2021
Rupert Faure Walker <sup>1</sup>	43	45
Paul Roy	45	45
Sue Prevezer	38	38
Daniel Pinto	38	38
Elizabeth Buchanan	38	38
Naoko Okumoto	38	38
Margaret Ma Connolly	38	38
Miles Young	38	38
Peter Rademaker <sup>2</sup>	19	–
Colin Day <sup>3</sup>	19	–

**Notes:**

1. Rupert was due to receive fees of £45,000 for services during 2022, however due to an administrative error received the above disclosed amount. The outstanding fees will be paid in 2023.
2. Appointed as a Non-Executive Director on 3 January 2022 and retired from the Board on 16 June 2022.
3. Appointed to the Board on 2 August 2022.

## Payments for loss of office/Payments to past Directors (audited)

No payments for loss of office or payments to past Directors were made during 2022.

As disclosed in last year's report, Peter Rademaker stepped down as an Executive Director on 3 January 2022. He received no payments for loss of office but remained employed by the Company until 31 January 2022, during which time he received his salary and other fixed pay. He remained on the Board as a Non-Executive Director until 16 June 2022.

Pete Kim stepped down as an Executive Director on 16 June 2022. He received no payments for loss of office and remains employed by the Group.



## Directors' interests in shares and share options (audited)

The consideration payable by the Group in respect of business combinations has included a substantial proportion of equity in the Company. As a result, the Executive Directors who previously held equity in MediaMonks or MightyHive hold a substantial number of the Company's shares. Further, Sir Martin Sorrell is a substantial shareowner in the Company as a consequence of his foundational investment into S<sup>4</sup>Capital 2 Limited.

The Directors' Remuneration Policy approved at the AGM in 2022 formalised a minimum shareholding requirement for Executive Directors to build and hold shares equivalent in value to 200% of their basic salary. This holding should be built up as soon as reasonably practicable following appointment and with the expectation that this will normally be within five years of appointment. The Policy also includes a requirement for Executive Directors to maintain a shareholding for a minimum period of two years following the cessation of their employment of the lower of (1) the in-employment shareholding requirement of 200% of salary and (2) the individual's actual shareholding at the time of their departure.

Details of Directors' interests in Ordinary Shares and Incentive Shares as at 31 December 2022 are set out in the table below. ►

	Interest in Ordinary Shares	Unvested Share Awards Subject to Performance Conditions	Interest in Incentive Instruments	Shareholding Requirement (% of Basic Salary)	Shareholding Requirement Met?
<b>Executive Directors</b>					
Sir Martin Sorrell <sup>1</sup>	54,229,594	–	4,000	200%	Yes
Victor Knaap <sup>2</sup>	17,546,066	–	–	200%	Yes
Wesley ter Haar <sup>2</sup>	17,546,067	–	–	200%	Yes
Christopher S. Martin <sup>2</sup>	8,564,506	–	–	200%	Yes
Scott Spirit <sup>3</sup>	307,194	–	2,000	200%	No
Mary Basterfield <sup>4</sup>	20,000	408,149	–	200%	No
Pete Kim <sup>5</sup>	8,049,180	–	–	200%	Yes
<b>Non-Executive Directors</b>					
Rupert Faure Walker	1,008,450	–	–	–	–
Paul Roy	1,950,129	–	–	–	–
Sue Prevezer	293,512	–	–	–	–
Daniel Pinto <sup>6</sup>	13,572,769	–	–	–	–
Elizabeth Buchanan	37,777	–	–	–	–
Naoko Okumoto	25,396	–	–	–	–
Margaret Ma Connolly	19,523	–	–	–	–
Miles Young	50,000	–	–	–	–
Peter Rademaker <sup>5</sup>	957,644	–	–	–	–
Colin Day	109,695	–	–	–	–

### Notes:

1. Sir Martin Sorrell holds 4,000 A2 Incentive Shares and also holds the B share.
2. Victor Knaap and Wesley ter Haar hold their interests in Ordinary Shares through (i) Oro en Fools B.V., their joint personal holding vehicle which is owned (indirectly) 50% by Victor Knaap and 50% by Wesley ter Haar; and (ii) Zen 2 B.V., the ordinary share capital of which is owned 51% by Oro en Fools B.V. and 49% by funds managed by Bencis Capital Partners B.V. The interests in Ordinary Shares of Victor and Wesley noted above are the aggregate totals of the ordinary shares held by these entities. Certain of the interests of Christopher S. Martin are held through certain family trust arrangements.
3. Scott Spirit has options to subscribe for a total of 2,666 A1 Incentive Shares (this includes the 2,000 Incentive Share Options disclosed in the table above), as explained on page 110.
4. Mary Basterfield has a nil-cost option over 76,913 shares granted in December 2021 prior to her appointment as an Executive Director, as disclosed in last year's Directors' Remuneration Report. This award vests two years after grant subject to continued employment and the satisfaction of specific performance conditions. During the financial year under review, she was also granted an award over 331,236 shares as part of her ongoing remuneration package, as explained further on page 107.
5. The shareholding shown is at the date they ceased to be a Director.
6. Shares acquired by Stanhope Entrepreneur Fund, a growth capital fund managed by Stanhope Capital, of which Daniel Pinto is Chief Executive.

# Remuneration Report continued

There were no changes to Directors' interests during the period from 31 December 2022 to the date of this report.

## The S<sup>4</sup>Capital 2 Limited Scheme/Scheme interests awarded during the financial year

Arrangements were put in place shortly after the formation of S<sup>4</sup>Capital 2 Limited (formerly S<sup>4</sup>Capital Limited) to create incentives for those certain executives who are expected to make key contributions to the success of the Group. The Group's success depends upon the sourcing of attractive investment opportunities and the improvement of the performance of any businesses that are acquired. Accordingly, an incentive scheme (the S<sup>4</sup>Capital 2 Limited Scheme, or the Incentive Share Scheme) was created to reward key contributors for the creation of value through the use of Incentive Shares.

Sir Martin Sorrell subscribed for A2 Incentive Shares in May 2018 and Scott Spirit was granted an option to subscribe for A1 Incentive Shares in January 2020. The terms of these awards are set out in the table below.

	Number of Incentive Instruments	Date of Issue
Sir Martin Sorrell	4,000 A2 Incentive Shares	29 May 2018
Scott Spirit <sup>1</sup>	2,000 A1 Incentive Share options	Option issued 27 January 2020 following Nomination and Remuneration Committee approval December 2019

**Note:**

1. Scott Spirit also has an option to subscribe for up to an additional 666 A1 Incentive Shares in the event of the issue of any further Incentive Shares by the Directors. The purpose of this additional award is to ensure that his interest in the Incentive Shares is maintained at the same level (5%, being 1/3rd of the total 15%) in the event of the issue of further Incentive Shares.

There were no new Scheme interests awarded under the S<sup>4</sup>Capital 2 Limited Scheme during the year ended 31 December 2022.

The Directors of S<sup>4</sup>Capital 2 Limited have the authority to issue a further 2,000 A1 Incentive Share options. The issue of further Incentive Shares will not increase the aggregate entitlement of the holders of Incentive Shares above 15% of the growth in value of S<sup>4</sup>Capital 2 Limited.

The Incentive Shares are subject to a number of conditions, as set out more fully below.

## Terms of the S<sup>4</sup>Capital 2 Limited Scheme

The Incentive Shares entitle the holders, subject to certain performance criteria and leaver provisions, to up to 15% of the growth in value of S<sup>4</sup>Capital 2 Limited from the plan's inception provided that the growth condition (as described below) has been met. The growth in value of S<sup>4</sup>Capital 2 Limited is measured against the market capitalisation of the Company based on an average of the mid-market closing price of the Ordinary Shares over the preceding 30 trading days, plus any dividends or distributions to the Company's shareowners prior to the date of calculation and then deducting the net asset value the Company on a standalone basis, ignoring the investment in S<sup>4</sup>Capital 2 Limited and its subsidiaries, and deducting the aggregate amount invested in the Company whether in cash or by issue of shares in its acquisitions, mergers and combinations.

Provided that the growth condition has been satisfied, the Incentive Shares entitle the holders to their return upon a sale or combination of S<sup>4</sup>Capital 2 Limited, its liquidation, the takeover or combination of the Company or, if none of those events has occurred prior to 9 July 2023 (being the fifth anniversary of the combination with MediaMonks by S<sup>4</sup>Capital 2 Limited), if Sir Martin Sorrell serves notice on the Company requiring it to acquire all of the Incentive Shares eligible for sale on or before 9 July 2025 (being the seventh anniversary of the combination with MediaMonks) or such later date as the Company and each of the Incentive Share classes agree. If Sir Martin serves such a notice, the growth in value of S<sup>4</sup>Capital 2 Limited is measured against the market capitalisation of the Company based on an average of the mid-market closing price of the Ordinary Shares over the preceding 30 trading days, plus any dividends or distributions over time. Once triggered, all of the Incentive Shares eligible for sale receive value at the same time on a pro rata basis and then automatically reset such that they may receive the same return over a second period of up to seven years, subject to extension.

The consideration payable if the Incentive Shares are triggered, save on a takeover, liquidation or combination of S<sup>4</sup>Capital 2 Limited, will be satisfied by the issue of Ordinary Shares in S<sup>4</sup>Capital plc at the average of the mid-market closing price of the Ordinary Shares over the 30 trading days preceding the triggering of the Incentive Shares.

## Growth condition

The growth condition is the compound annual growth rate of the invested capital in S<sup>4</sup>Capital 2 Limited being equal to or greater than 6% per annum since the foundational investment into S<sup>4</sup>Capital 2 Limited on 29 May 2018. The growth condition takes into account the date and price at which shares in S<sup>4</sup>Capital 2 Limited have been issued, the date and

price of any subsequent share issues and the date and amount of any dividends paid, or capital returned by S<sup>4</sup>Capital 2 Limited to the Company. Any cash raised by the Company from time to time has been and will continue to be invested in S<sup>4</sup>Capital 2 Limited so that the growth condition will apply to that capital also.

### Additional conditions

The Incentive Instruments are subject to certain conditions, at least one of which must be (and continue to be) satisfied in order for Sir Martin Sorrell (as the holder of the majority of the A2 Incentive Shares) to elect for the A1 share options and A2 Incentive Shares to be sold to the Company. The A1 and A2 Incentive Shares and Options will vest into Ordinary Shares of S<sup>4</sup>Capital plc in the following circumstances:

- a sale of all or a material part of the business of S<sup>4</sup>Capital 2 Limited;
- a sale of all of the issued S<sup>4</sup>Capital 2 Limited Ordinary Shares by the Company;
- a winding up of S<sup>4</sup>Capital 2 Limited occurring;
- a sale or change of control of S<sup>4</sup>Capital 2 Limited or the Company; or
- if later than 9 July 2023 (being the fifth anniversary of the MediaMonks combination).

### Compulsory redemption

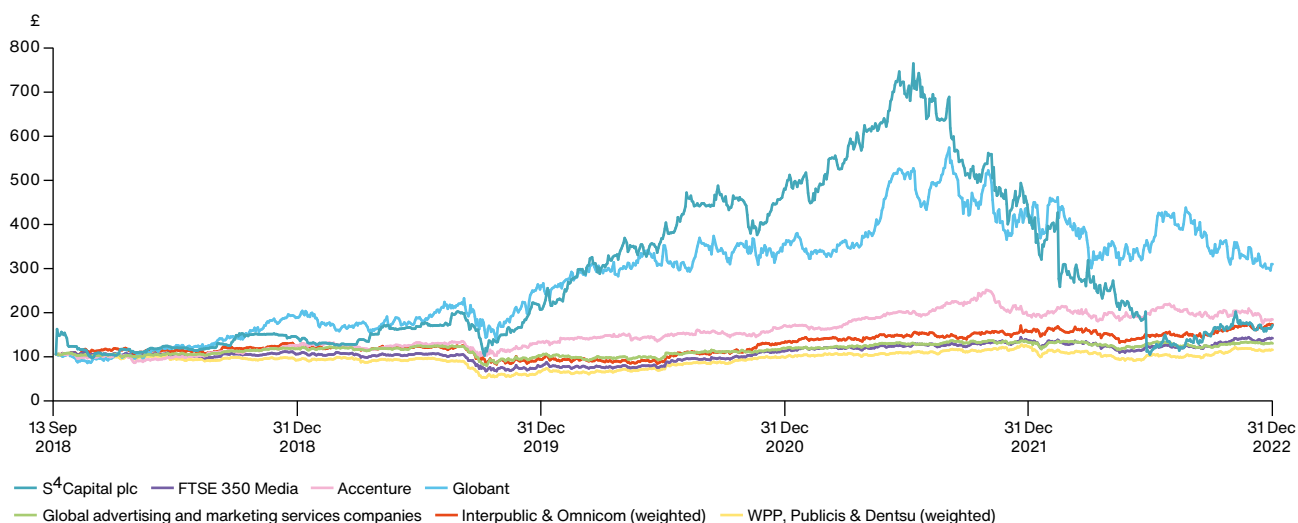
If the growth condition is not satisfied on or before 9 July 2025 (being the seventh anniversary of the combination with MediaMonks), or such later date as the Company and each of the Incentive Share classes agree, the Incentive Shares must be sold to the Company at a price per Incentive Share equal to the subscription price of £25.00 per Incentive Share.

### Leaver provisions

The Incentive Shares are subject to leaver provisions. If a holder of Incentive Shares ceases to be employed by or hold office with the Group, that holder will become a 'Leaver' and, depending on the circumstances of his or her departure, certain of his or her Incentive Shares may be subject to forfeiture.

### Share price

The chart below illustrates the performance over the period of an investment of £100 in the Company's shares made on 13 September 2018, shortly before the Company acquired the S<sup>4</sup>Capital Group and was re-admitted to trading on the Official List, to 31 December 2022. This has been compared to the performance of the same investment on the same date in both (i) the FTSE 350 Media Sector, and (ii) a market capitalisation-weighted basket of five other global advertising and marketing services companies. The chart also illustrates the comparative performance of these five companies on a regional basis, separating the US companies from the others, as well as that of Accenture and Globant. The Board believes that, taken together, these are the most appropriate broad comparators for the Company's performance for the purpose of the reporting regulations. ►



## Remuneration Report continued

The table below sets out the performance of an investment of £100 made in the Group on 29 May 2018, which was the date of the foundational investment into S<sup>4</sup>Capital 2 Limited, through the dates of the Group's placings and business combinations and up to the end of the year to 31 December 2022. This has been compared against the performance of an equivalent investment made on 29 May 2018 in the same comparators used in the chart on the previous page.

	29 May 2018	09 July 2018	24 Dec 2018	31 Dec 2018	25 Oct 2019	31 Dec 2019	16 July 2020	31 Dec 2020	31 Dec 2021	31 Dec 2022
S <sup>4</sup> Capital plc	100	116	128	138	165	224	366	581	737	220
FTSE 350 Media	100	105	96	97	114	120	94	107	133	127
Global advertising and marketing services companies	100	104	91	94	94	98	72	85	123	134
Interpublic & Omnicom (weighted)	100	108	101	107	115	118	92	103	153	172
WPP, Publicis & Dentsu (weighted)	100	102	85	87	80	84	56	73	102	102
Accenture	100	108	92	97	126	140	155	172	278	204
Globant	100	111	108	115	179	208	327	413	602	363

The table below sets out the Executive Chairman's total remuneration as a single figure, together with the percentage of maximum annual bonus awarded over the same period as the chart above in respect of the Company's share price.

	Year to 31 December 2018	Year to 31 December 2019	Year to 31 December 2020	Year to 31 December 2021	Year to 31 December 2022
Executive Chairman single figure of remuneration (£000)	140	272	218	203	509
Annual bonus payout (% of maximum)	100%	85%	75%	0%	40%
Share award vesting (% of maximum)	n/a	n/a	n/a	n/a	n/a

## Percentage change in remuneration of Directors compared to employees

The table below shows the year-on-year percentage change in salary, benefits and bonus for each Director for each of the last three financial years, compared with the average change in employee pay.

The figures for the Directors are based on the disclosures in the single total figure table on page 105 and the corresponding tables from previous Directors' Remuneration Reports.

	2022 vs 2021			2021 vs 2020			2020 vs 2019		
	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus	Salary/ Fees	Benefits	Bonus
<b>Executive Directors</b>									
Sir Martin Sorrell	150%	14%	100%	33%	62%	-100%	-25%	-21%	-12%
Victor Knaap	-1%	-0.5%	100%	95%	88%	-100%	-48%	100%	-16%
Wesley ter Haar	-1%	-0.5%	100%	95%	88%	-100%	-48%	100%	-16%
Peter Rademaker <sup>1</sup>	-	-	-	29%	-	-100%	-22%	-	-8%
Pete Kim	11%	-98%	-	278%	100%	-	-75%	-100%	-
Christopher S. Martin	11%	-99%	100%	51%	1,500%	-	-36%	-96%	-
Scott Spirit <sup>1</sup>	9%	9%	100%	28%	-5%	-100%	-	-	-
Mary Basterfield <sup>1</sup>	-	-	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>									
Rupert Faure Walker	-4%	-	-	32%	-	-	35%	-	-
Paul Roy	0%	-	-	32%	-	-	35%	-	-
Sue Prevezer	0%	-	-	36%	-	-	13%	-	-
Daniel Pinto	0%	-	-	36%	-	-	13%	-	-
Elizabeth Buchanan <sup>1</sup>	0%	-	-	36%	-	-	-	-	-
Naoko Okumoto <sup>1</sup>	0%	-	-	36%	-	-	-	-	-
Margaret Ma Connolly <sup>1</sup>	0%	-	-	36%	-	-	-	-	-
Miles Young <sup>1</sup>	0%	-	-	-	-	-	-	-	-
Peter Rademaker <sup>1</sup>	-	-	-	-	-	-	-	-	-
Colin Day <sup>1</sup>	-	-	-	-	-	-	-	-	-
<b>All UK Group employees<sup>2</sup></b>	<b>4%</b>	<b>3%</b>	<b>-68%</b>	<b>-6%</b>	<b>-6%</b>	<b>-67%</b>	<b>3%</b>	<b>-16%</b>	<b>11%</b>

### Notes:

1. Percentage change not shown for these Directors in certain periods as they had part-year service for one of the comparative periods.
2. Included to provide a more representative sample of the wider employee base in the UK.

## Pay ratio

The table below reports the pay ratio for the year ended 2022 and has been calculated using the method known as Option A, which involves calculating a single figure for each UK employee based on their actual pay for the year. This ensures that the most accurate information is used for the purposes of calculating the ratio and is the option most favoured by investors.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
<b>2022<sup>1</sup></b>	<b>Option A</b>	<b>12.1</b>	<b>8.5</b>	<b>6.2</b>
<b>Total pay and benefits £000</b>		<b>42</b>	<b>60</b>	<b>82</b>
<b>Salary £000</b>		<b>40</b>	<b>56</b>	<b>79</b>
2021 <sup>1</sup>	Option A	5.0	3.6	2.6
2020 <sup>1</sup>	Option A	5.3	3.7	2.8
2019 <sup>1</sup>	Option A	6.8	5.8	4.1

### Note:

1. The calculations of the pay for the employees at the different levels have been calculated as of 31 December of each relevant year.

A full-time equivalent calculation has been applied to the pay of part-time employees and those leaving or joining during each year to ensure an appropriate annualised comparison with the pay of the Executive Chairman. The Committee believes that the median pay ratio for 2022, as disclosed in the table above, is reflective of the current pay policies across the UK employee base at this stage, and is consistent with the wider pay, reward and progression policies affecting UK employees. Employees' pay packages are designed to be competitive and to ensure that performance as a whole is rewarded through appropriate incentive schemes. As illustrated in the table above, ►

# Remuneration Report continued

the 2022 pay ratio is higher than that for 2021 and for earlier years. This reflects a higher single figure for the Executive Chairman, resulting from the basic salary increase he received for 2022 (as explained in last year's Directors' Remuneration Report) and a higher annual bonus payment for 2022 when compared to prior years.

S4Capital is a global business with approximately 8,900 employees in 32 countries. As the Group has grown through a process of acquisition and combination, multiple different compensation arrangements have been inherited. During 2022, considerable progress was made in simplifying, integrating and harmonising these arrangements such that there is now greater consistency across the global employee base. A number of principles were agreed for making equity awards to key talent across the Group, and we will focus attention in 2023 on rolling out those principles and similar changes to annual bonus arrangements. During the year, the Nomination and Remuneration Committee reviewed workforce remuneration and related policies and the relationship between the Directors' Remuneration Policy and the arrangements in place for the wider workforce. The Committee is satisfied that the remuneration for the Executive Directors is appropriate in this context. For example, there is now a greater level of consistency between annual bonus arrangements for the Directors and those for the wider workforce.

In early 2023, the Chair of the Nomination and Remuneration Committee met with a number of employees to discuss matters relating to compensation and to explain how executive remuneration aligns with wider Group pay policies. Various topics were discussed, including the role of the Committee in determining the remuneration of the Executive Directors and pay arrangements across the Company more broadly.

## Relative importance of spend on pay

The table below shows the relative importance of spend on pay for all of the Group's people in comparison to distributions to shareowners. Total pay includes wages and salaries, pension costs, social security and share-based payments. The Company did not make any distributions to shareowners in respect of the financial period.

	Year to 31 December 2022	Year to 31 December 2021	% change
Average number of employees	8,772	5,794	51.4%
Total personnel costs (£000)	682,072	412,537	65.3%
Total distributions to shareowners (£000)	–	–	–

## Statement of voting on remuneration

The table below provides details of the voting results on (1) the Directors' Remuneration Report resolution and (2) the Directors' Remuneration Policy resolution presented for shareowner approval at the AGM held on 16 June 2022.

	Votes for	Votes against	Total votes cast	Votes withheld
Approve the Directors' Remuneration Report	193,958,372 82.67%	40,656,046 17.33%	234,614,418	27,535,964
Approve the Directors' Remuneration Policy	162,386,097 69.71%	70,564,359 30.29%	232,950,456	29,199,926

The Committee notes that the resolution to approve the Directors' Remuneration Policy received a vote in favour of less than 80%. In advance of the 2022 AGM, the Committee undertook a thorough review of the Remuneration Policy and consulted with major shareowners on the key features of the new Policy. The Committee was pleased that, although some issues were raised, the overall feedback on the Company's approach was positive. Following the AGM vote, the Committee reviewed comments from those shareowners which had voted against the Policy and also considered the views of the proxy advisory bodies. A number of points were raised, including in relation to the structure of the Incentive Share scheme.



In accordance with the UK Corporate Governance Code, the Chair of the Committee wrote to those major shareowners which had voted against the Policy, inviting them to re-engage and share their views on the Policy. This process did not raise additional feedback. As required by the Code, an update statement summarising the views received from shareowners was published on the Group's website in December 2022. Since then, additional feedback on the Policy has been received from one shareowner which was similar to comments raised by others. The Committee has continued to reflect on and consider shareowner views when considering the implementation of the Policy in early 2023.

### **Nomination and Remuneration Committee membership and meetings**

The Committee is comprised solely of independent Non-Executive Directors with a wide range of experience. Biographical details of the Committee Chair and members can be found on pages 74-77. The Committee met 6 times during the year, meeting attendance of the Committee members can be found on page 81. Additional attendees at Committee meetings may include the Executive Chairman, Group CFO, SVP, Group Finance, Company Secretary and Deputy Company Secretary. No individual participates in decisions regarding his or her own remuneration.

The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities and the Committee is authorised to seek external legal or independent advice as it sees fit.

The Terms of Reference for the Committee were approved in October 2022 and going forward will be subject to an annual review to ensure they remain fit for purpose. A copy of the Committee's Terms of Reference can be found on the Company's website.

### **External Advisers**

Korn Ferry are the Committee's remuneration advisers and were appointed by the Committee in 2019. They provide independent commentary and advice, together with updates on legislative requirements, best practice and market practice to assist with its decision making. The fees paid to Korn Ferry in respect of work carried out for the Committee totalled £74,691. The Committee undertakes due diligence to ensure that the remuneration advisers remain independent of the Group and that the advice provided is impartial and objective. Korn Ferry report directly to the Committee and is a member of the Remuneration Consultants Group and operates under its code of conduct. No other services were provided by Korn Ferry to the Company during 2022.

### **Implementation of Remuneration Policy for 2023**

The Directors' Remuneration Policy approved at the AGM in 2022 will continue to operate for the year ending 31 December 2023. The Nomination and Remuneration Committee intends to implement the Policy as follows.

#### **Basic salary**

As at the date of this report, the Committee has not yet finalised a decision on any salary increases to apply to the Executive Directors for 2023. Any increases, if agreed, will be effective no earlier than 1 April 2023 and, among other things, will take into account changes to Board roles and responsibilities as well as salary increases for the wider workforce. Full disclosure of any changes to Directors' salaries will be provided in next year's Directors' Remuneration Report at the latest.

#### **Pension and benefits**

The pensions of Sir Martin Sorrell and Scott Spirit reduced to 4% of basic salary with effect from 1 January 2023, as disclosed last year and in line with the Directors' Remuneration Policy. The same rate will continue to apply to Mary Basterfield.

Wesley ter Haar and Victor Knaap will continue to receive Dutch age-related pension contributions for 2022. Christopher S. Martin will continue to receive pension contributions via a US 401(k) plan.

Benefits provided will be similar to those provided in 2022. ►

## Remuneration Report continued

### Annual bonus

The Committee has decided that the annual bonus scheme for 2023 will operate in a broadly similar manner to that in place for 2022. 70% of the bonus will again be payable by reference to performance measured against financial metrics, including net revenue growth and EBITDA margin. A third financial metric of EBITDA to cash conversion has been introduced, reflecting the increased internal focus on this measure. The remaining 30% will be payable by reference to key non-financial objectives, including ESG and DE&I performance, and measures linked to the ongoing integration of the various businesses within S<sup>4</sup>Capital. The targets are currently considered commercially confidential but full details will be disclosed in next year's Remuneration Report after the end of the performance period.

The maximum bonus opportunity for 2023 will remain at 100% of basic salary for all Executive Directors, in line with the limit in the Directors' Remuneration Policy and the practice in previous years.

The bonus scheme includes the discretion to adjust formulaic outcomes as well as recovery and withholding provisions, as summarised in the Directors' Remuneration Policy.

### Share incentives

In line with the terms of her appointment, and as explained in last year's report, Mary Basterfield will receive a further award of shares in 2023 with a face value at grant of £500,000. This award will be subject to the satisfaction of performance targets based on key financial measures over the financial year ending 31 December 2023. The precise performance targets are considered commercially confidential and will be disclosed in next year's Directors' Remuneration Report. To the extent that the performance targets are satisfied, the award will vest in 2026, three years after grant. The award will be split equally between market-priced options and conditional shares.

Under the Directors' Remuneration Policy, the Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus scheme if deemed appropriate. The scheme also includes recovery and withholding provisions.

The Committee is keeping under review the matter of whether any share incentives should be granted to other Executive Directors, although at the time of writing no formal decision has been made on this matter. Any awards, if made, will be consistent with the terms of the Directors' Remuneration Policy and full details will be provided in next year's Directors' Remuneration Report at the latest.

### Non-Executive Directors

The Non-Executive Directors receive a base fee of £37,500, with an additional fee of £7,500 paid to each of the Senior Independent Director, Chair of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee. These fees will remain unchanged for 2023. ■

# Directors' Report

S<sup>4</sup>Capital plc is incorporated and domiciled in the UK and is registered in England and Wales with the registered number 10476913. The correspondence address and registered office of the Company is 12 St James's Place, London SW1A 1NX.

This report has been drawn up and presented in accordance with, and in reliance upon, applicable English law and the liabilities of the Directors in preparing this report shall be subject to the limitations and restrictions provided by such law. The Director's Report is designed to inform shareowners and help them assess how the Directors have performed their duty to promote the success of the Company.

## Strategic Report and Corporate Governance

The Strategic Report can be found on pages 10-28 and 65-70 and is included by reference into this Directors' Report. The Strategic Report sets out the development and performance of the Group's business during the financial period, the position of the Group at the end of the period, a description of the principal risks and uncertainties facing the Group, details of the Group's Diversity, Equity and Inclusion policy and reporting of ESG activities. The Strategic Report also sets out a summary of how the Directors have engaged with our people as well as how the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others, in line with Section 172 (page 66). The other sections of the Group's Governance Report are also included by reference into this report. The industry outlook set out on pages 30-36 outlines an indication of future developments and is included by reference into this report.

## Directors and their interests

Biographies of the Directors currently serving on the Board are set out on pages 74-77. As set out in the Notice of Meeting, all the Directors will retire at this year's Annual General Meeting (AGM) and will submit themselves for election and re-election by shareowners. All Directors seeking appointment and reappointment were subject to a formal and rigorous performance evaluation, further details of which can be found on pages 85-86. Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 99. The interests of the Directors in the shares of the Company are also shown on page 109 of that report.

Other than the Incentive Shares held by Sir Martin Sorrell and the options over Incentives Shares held by Scott Spirit as disclosed on page 110, no Directors have beneficial interests in the shares of any subsidiary company.

## Dividend

No dividend was declared or paid in respect of the year to 31 December 2022 and the Directors are not recommending that a final dividend be paid (2021: £nil).

## Capital structure

As at 12 April 2023, the Company's issued share capital comprised of 574,327,690 Ordinary Shares of £0.25 each and one B Share of £1.00. The Company was authorised at the 2022 AGM to allot up to 185,361,822 ordinary shares as permitted by the Act. A renewal of a similar authority will be proposed at the 2023 AGM. The Company's issued share capital as at 31 December 2022, together with details of shares issued during the year, is set out in note 21 to the Financial Statements on page 179.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The holder of the B Share has no right to receive dividends and is entitled to one vote at general meetings of the Company when voting in favour of resolutions, and such number of votes as may be required to defeat the relevant resolution when voting against.

Any appointment and removal of a Director requires the consent of Sir Martin Sorrell as the holder of the B Share. The processes for the appointment and replacement of Directors are governed by the Company's Articles of Association, the 2018 UK Corporate Governance Code, the Companies Act 2006 and related legislation. The powers of Directors are described in the Articles, which can be found on our website.

## Restrictions on transfer of securities

The Ordinary Shares are freely transferable and there are no restrictions on transfer. Except for Sir Martin Sorrell, who holds the B Share. No other person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights. ►

# Directors' Report continued

## Articles of Association

The Company's Articles were adopted at the 2022 Annual General Meeting (AGM) and may only be amended by a special resolution of the shareowners. The Articles can be found on our website with [www.s4capital.com](http://www.s4capital.com).

## Authority to purchase shares

The Company was given authority at its AGM in 2022 to make market purchases of Ordinary Shares up to a maximum number of 55,546,452 Ordinary Shares. During the year, no Ordinary Shares have been repurchased. The Directors propose to renew these authorities at the 2023 AGM for a further year. The Directors believe that it is desirable to have the general authority to buy back the Company's Ordinary Shares in order to provide maximum flexibility in the management of the Group's capital resources. However, the authority would only be used if the Board was satisfied at the time that to do so would be in the best interests of shareowners.

## Insurance and indemnities

The Company maintains Directors' and Officers' liability insurance in respect of legal action that might be brought against its Directors and Officers. As permitted by the Company's Articles of Association (the 'Articles'), and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their positions with the Group. The indemnities were in force throughout the tenure of each Director during the last financial year and are currently in force.

## Substantial shareholders

As at 12 April 2023, the Company has received notification of the following interest in voting rights pursuant to the Disclosure Guidance and Transparency Rules:

	Number of Shares	% shareholding
Sir Martin Sorrell <sup>1</sup>	54,229,594	9.442
Oro en Fools B.V.	35,092,132	6.110

**Note:**

1. In addition, Sir Martin Sorrell has, in aggregate, donated 3,910,000 Ordinary Shares to the UBS Donor Advised Foundation.

## Employees

The Board recognises the importance of attracting, developing and retaining the best people. In accordance with best practice, we have employment policies in place which provide equal opportunities for all employees, irrespective of age, sex, race, colour, disability, sexual orientation, religious beliefs, socio-economic background education and professional backgrounds or marital status. The Group also complies with all applicable national and international human and labour rights within the locations in which it operates. Further information on the Board's methods for engaging with the workforce is on page 87.

## Significant agreements

The Group's term loan and revolving facility contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control. The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except for provisions, which may cause awards granted under such arrangements to vest on a takeover.

## Political donations

The Group's policy prohibits any donations being made for or on behalf of the Group for political purposes, accordingly, the Group did not make any donations or contributions to any political party or other political organisation and did not incur any political expenditure within the meanings of sections 362 to 379 of the Companies Act 2006.

## Independent auditors

PricewaterhouseCoopers LLP has confirmed its willingness to continue as auditors of the Group.

In accordance with section 489 of the Companies Act 2006, separate resolutions for the appointment of PricewaterhouseCoopers LLP as auditors of the Group and for the Directors to determine its remuneration will be proposed at the forthcoming AGM of the Company.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware and that each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and ensure that the Auditor is aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## Post balance sheet events

There were no material post balance sheet events, that require adjustment or disclosure, occurring between the reporting period and the 12 April 2023.

## Annual General Meeting

The AGM of the Company will be held at 1.00 pm on 9 June 2023 at 14 Hewett Street, London EC2A 3NP.

For participation details please refer to the Notice of AGM which is available on our website [www.s4capital.com](http://www.s4capital.com).

## Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. ►

## Directors' Report continued

### Directors' confirmations

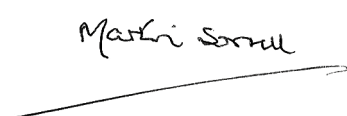
Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information. ■

On behalf of the Board:



**Sir Martin Sorrell**  
Executive Chairman

13 April 2023



**Mary Basterfield**  
Group Chief Financial Officer

13 April 2023



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# Focused on the



At the bottom line, it's about finding more effective and productive ways to work now. Like embedding teams, automating services, improving the accuracy and visibility of data and consolidating content creation at scale.

# Independent auditors' report to the members of S4Capital plc

## Report on the audit of the financial statements

### Opinion

#### In our opinion:

- S4Capital plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's and Company's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2022 (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2022; the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 6, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

### Our audit approach

#### Context

S4Capital plc is a United Kingdom-based Company that provides digital advertising and marketing services via three operating segments: Content, Data&Digital Media (DDM) and Technology Services. The Group has continued on a strategy of rapid growth including a number of acquisitions as disclosed within Note 4 of the Annual Report and Accounts. Further details regarding our audit procedures over the significant acquisitions in the year have been detailed within our Key Audit Matter in relation to purchase price allocation and acquisition accounting for significant acquisitions.

#### Overview

##### Audit scope

- Our audit included full scope audits, audits of specific account balances or specified procedures at each of the Group's 27 in-scope components,
- Taken together, the components at which audit work and specified procedures were performed accounted for 76% of the Group's consolidated revenue.

#### Key audit matters

- Purchase price allocation and acquisition accounting for significant acquisitions (Group)
- Accuracy of revenue recognition on fixed fee contracts within the Content practice (Group)
- Impairment of intangible assets (Group)
- Contingent consideration (Group)
- Carrying value of investments (Company)

#### Materiality

- Overall Group materiality: £10 million (2021: £6.8 million) based on approximately 1% of revenue.
- Overall Company materiality: £10.5 million (2021: £9 million) based on approximately 1% of total assets.
- Performance materiality: £5 million (2021: £5.1 million) (Group) and £5.25 million (2021: £6.8 million) (Company).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

The Group's financial statements are organised into three reportable segments – Content, Data&Digital Media 'DDM' and Technology Services. Each segment is further divided into 132 legal entities with 24 legal entities considered as Group holding companies outside of a reportable segment.

We scoped in 11 components (defined as an entity or a homogenous Group of entities depending on specific circumstances) requiring an audit of their complete financial information, of which 2 were considered to be financially significant components as their individual revenues contributed in excess of 10% of Group revenue. Of the 2, one was audited by PwC US and one by the Group engagement team.

In addition, 16 components were scoped in for the audit of significant account balances and transactions to obtain appropriate coverage of all material balances.

The reporting components vary in size and we identified 8 components of which required full scope audits by PwC component auditors in the US. Additional specified procedures audits were performed by PwC component auditors in the US, Argentina, Columbia, Brazil and Mexico. The reporting from our overseas component auditors represented 43% of the Group's consolidated revenue. The Group engagement team also conducted specified procedures audits over 8 components.

In addition, centralised procedures were performed at the Group level which included the audit of the consolidation, goodwill, acquisitions, cash and cash equivalents, share-based payments and taxes.

The Group has grown considerably from acquisition and now stands at 132 legal entities with over 450 separate bank accounts and during the course of the year, the Group created a centralised treasury function.

Given the volume of bank accounts, the integration of these into a Group treasury function remains a work in progress. In response we scoped in all bank accounts for bank confirmation or alternative procedures where bank confirmations could not be obtained. Our component teams and the Group engagement team sent bank confirmations for all bank account cash balances, with alternative procedures performed for the unconfirmed cash balances of £60,000, relating to 16 accounts. Procedures include observing management logging in to online banking portals to view year end balances, obtaining year-end bank statements from management, and agreeing accounts back to due diligence reports and acquisition completion statements to verify existence and the rights of ownership over each bank account.

Taken together, the components where we performed our audit work and specified procedures accounted for 76% of Group's consolidated revenue.

# Independent auditors' report to the members of S4Capital plc continued

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impairment of intangible assets and contingent consideration are new key audit matters this year. Loan refinancing and the existence of bank and cash of which were key audit matters last year, are no longer included because both key audit matters were specific to the preceding period. Otherwise, the key audit matters below are consistent with last year.

### Key Audit Matter

#### Purchase price allocation and acquisition accounting for significant acquisitions (Group)

During the year the Group acquired TheoremOne, 4 Mile and XX Artists for a total consideration of £143.0 million.

Management have undertaken a purchase price allocation exercise identifying and recognising intangible assets with finite useful lives amounting to £115.6 million comprising customer relationships of £104.2 million, brand names of £3.2 million, order backlog of £7.8 million and software of £325,000.

The Group also finalised the purchase price allocation of Cashmere, Maverick, Zemoga and Racoon.

Management utilised an expert in the identification and valuation of the intangible assets.

Accounting for business combinations can be complex, particularly in relation to the identification of intangible assets and accounting for deferred and/or contingent consideration. We focused on the judgements management made in these respects, particularly in relation to the identification and valuation of intangible assets and the critical estimates that could lead to a material misstatement of intangible assets.

Refer to the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates and Note 4 within the consolidated financial statements.

### How our audit addressed the Key Audit Matter

We obtained the sale and purchase agreements (SPAs) for each acquisition in the period and read them to ensure that we understood the substance of the transaction, including the consideration and the assets and liabilities acquired. We tested cash consideration to bank statements and checked that any deferred and/or contingent consideration had been correctly recognised in line with the acquisition agreements.

We reviewed the purchase price allocation reports provided by management's expert and considered the expert's ability to prepare an analysis to reasonably estimate the value of the acquired intangible assets. We assessed the completeness of the intangible assets recognised by management and the valuation methodologies used, to consider if these were appropriate methods of valuation for these types of assets. We utilised our valuations experts in performing the audit of purchase price allocation and acquisition accounting, including the assessment of the valuation methodologies and assumptions applied by management and their expert.

We recalculated the 2022 and prior year restated amounts as a result of the finalisation of prior year acquisition accounting in accordance with IFRS 3 Business Combinations included within the financial statements. We tested the accuracy and completeness of the models used for calculating the separately identified intangible assets by checking for consistency and comparing them to models used on prior acquisitions within the Group and to those typically used in the industry. We challenged management in particular on the recognition of customer relationships and were able to corroborate these to historical customer data or acquisition specific circumstances.

We agreed the underlying projections to management's cash flow models signed off by the Board as part of their due diligence to ensure both consistency and actual cash flows being in line with those predicted. We challenged the key assumptions used including terminal growth rates and discount rates. We agreed the current assets and liabilities acquired, which consisted mainly of cash and debtor balances, by vouching them to supporting documentation such as bank statements and confirming that they had been treated in line with the terms of the contract.

The recognition of intangible assets is judgmental, but we are satisfied that the assumptions and models used by management are reasonable and consistent with prior years. We are satisfied that the treatment of consideration is in line with IFRS 3 and concur with management's calculation or estimate of contingent consideration payable based on the performance profit targets being met.

Based on our procedures, we are satisfied that the key assumptions and calculations used by management were supportable and appropriate.

**Key Audit Matter****Accuracy of revenue recognition on fixed fee contracts within the Content practice (Group)**

The Group recognises revenue when a performance obligation is satisfied, in accordance with the terms of its contractual arrangements. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of the services performed using a number of methods to measure transfer of value to customers for each performance obligation.

Assessing the timing of revenue recognised on fixed fee contracts at the year-end is an area of complexity and judgement is required in identifying performance obligations, whether the revenue should be recognised over time or at a point in time and assessing the stage of delivery of performance obligations on open contracts where revenue is recognised over time.

Given the complexity in estimation and judgement involved, the timing of revenue recognition and the accuracy of project revenue within the financial statements is subject to both risk of error and fraud as there is an incentive for management to manipulate the results by allocating revenues attributable to future periods into 2022 in order to achieve targets.

We identified the revenue recognition for open contracts at 31 December 2022 within the Content practice accounted for on a percentage of completion basis as a key audit matter because of the management judgement required to estimate the proportion of the service performed and therefore the revenue to be recognised on these contracts at year end.

Auditing these estimates requires extensive audit effort and a high degree of judgement given the bespoke nature of each contract and the variety of evidence needing to be assessed in order to support the percentage of completion determined.

Refer to the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates and Note 5 within the consolidated financial statements.

**How our audit addressed the Key Audit Matter**

Our audit procedures to address the significant risk and key audit matter in relation to the accuracy of revenue recognition of fixed fee contracts included the following;

- We assessed the systems and controls in operation in the year as they pertained to revenue;
- We assessed the accounting policy and approach to recognising revenue to ensure it was consistent with the principles of IFRS 15 'Revenue from contracts with customers' and in particular the correct application of IFRS 15 with regards to recognising revenue over time;
- We evaluated the accuracy of management's previous forecasts of effort to complete projects by performing retrospective reviews of such estimates as compared to actual results for performance obligations that have been fulfilled.
- We selected a sample of contracts with customers and performed the following audit procedures;
  - recalculated revenue recognised based on the percentage of completion by obtaining schedules of estimated effort to complete from project managers and challenging the key underlying assumptions to test their completeness and accuracy;
  - we assessed contractual terms and assessed each of these terms (e.g acceptance criteria, delivery and payment terms) to ensure that the application of these terms were applied correctly within each project;
  - evaluated whether the contracts were properly included in management's calculation of revenue recognised over time based on the terms and conditions of each contract and confirmed contract values by verifying the values against signed agreements and any contract amendments;
  - tested the completeness and accuracy of costs incurred to date and we assessed the accounting for cost of sales in respect of the contracts subject to testing;
  - evaluated the reasonableness and consistency of the methods and assumptions used by management to develop the estimate with respect to the effort to complete;
  - considered whether there was any evidence which contradicted management's assumptions regarding the percentage of completion and the estimated effort to complete; and
  - recalculated deferred and accrued income balances based on the contract terms, costs incurred to date and remaining effort estimates to conclude on the appropriateness of the revenue recognised at year end.

Based upon the procedures performed, we concluded that management's judgements in respect of the application of IFRS 15 and the estimation of revenue recognition on open contracts was reasonable.

# Independent auditors' report to the members of S4Capital plc continued

## Key Audit Matter

### Impairment of intangible assets (Group)

At 31 December 2022, the Group had intangible assets totalling £1.18 billion (2021: £981 million) which includes goodwill £735 million (2021: £625 million), customer relationships totalling £430 million (2021: £331 million) and brand names totalling £13.5 million (2021: £15 million). All of these asset categories require review for indicators of impairment annually with goodwill needing to be tested for impairment at least on an annual basis in accordance with IAS 36.

The determination of whether an impairment exists can be judgemental. Management must determine the recoverable amount when impairment indicators are identified.

The determination of recoverable amount, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management in identifying and then determining the recoverable amounts for the relevant cash generating units ("CGUs"). Recoverable amounts are based on management's view of key assumptions which include;

- Reported revenue growth rates for 2023 of between 14.5% to 57.6% per annum which includes the full year benefit of acquisitions made in 2022;
- Forecast cash flows for the next five years;
- A long-term (terminal) growth rate applied beyond the end of the five year forecast period; and
- Discount rates applied to the model of between 11.2% and 11.9%.

Management considers there to be 3 CGUs in respect of goodwill within S4Capital plc, we have therefore assessed each CGU separately and 4 Mile to assess the future cash flows of the relevant entities which represent the CGU's.

Refer to the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates and Note 10 for detailed goodwill disclosures and Note 11 for detailed intangible asset disclosures within the consolidated financial statements.

## How our audit addressed the Key Audit Matter

With respect to goodwill, our audit procedures focused on challenging and evaluating the discount rates, short-term forecasts and long-term growth rates used in the respective discounted cash flow models to determine the recoverable amount of each CGU and included the following audit procedures:

- assessed the appropriateness of management's identification of the Group's CGUs;
- verified the integrity of the formulae and the mathematical accuracy of management's valuation models;
- evaluated and assessed the reasonableness of the Group's future cash flow forecasts, and the process by which they were prepared, confirming that they were the forecasts approved by the board of directors, assessing the reasonableness of the budget, including the revenue, costs and margins included in those budgets based on our understanding of the Group and its past performance;
- evaluated management's ability to accurately forecast future revenues and growth rates by comparing actual results to management's historical forecasts;
- with the assistance of our valuations specialists, we assessed the discount rate used in the model and whether it fell within a reasonable range taking into consideration both internal and external market data. Our assessment of discount rates took into consideration Country specific risks and ensured that this had been appropriately included within the underlying cash flow models;
- assessed whether the assumptions had been determined and applied on a consistent basis, where relevant, across the Group; and
- evaluated the Group's disclosures on intangible assets and goodwill against the requirements of UK-adopted international accounting standards.

For all material finite-lived intangible assets, we undertook the following to test management's assessment for indicators of impairment:

- evaluated and challenged management's assessment in respect of impairment indicators and ensured they were appropriately considered in management's impairment trigger assessment and conclusion; and
- for a selection of intangible assets revisited original calculations of value and challenged management if the asset was still in existence and use.

Other than the impairment charge recognised in respect of 4 Mile intangible assets (see Note 10 and 11), based on our procedures, we are satisfied that there is no further impairment to intangible assets (including goodwill) and that management's impairment assessment of intangible assets is appropriate.



**Key Audit Matter****Contingent consideration (Group)**

The Group holds material balances relating to contingent consideration and holdback liabilities totalling £193.7 million. (2021: £86.4 million).

The judgements taken over whether the contingent consideration continues to be payable represents a significant risk. Given the significant growth achieved as a result of a number of material acquisitions, the Group continues to hold a large number of contingent consideration balances each of which have the potential to include a number of future targets which could be complex in nature and judgemental in determining whether the amounts are payable.

Refer to the accounting policies section within the financial statements for disclosure of the related accounting policies, judgements and estimates, Note 4 and Note 20 within the consolidated financial statements.

**How our audit addressed the Key Audit Matter**

Our audit procedures to address the significant risk and key audit matter in relation to the contingent consideration included the following;

- obtained a movement schedule and agreed the opening balances to the closing balances in the prior year including the classification as consideration or remuneration and ensured the accounting treatment is appropriate. For current year acquisitions we have agreed the additions to our acquisition work;
- obtained formal signed certificates for a sample of settlements in the year detailing the final agreed settlement. We have also obtained bank statements for settlements made in cash and share issue documentation for settlement in shares (or support for the deferral of the share awards). For settlements in shares we have also agreed the share price used in the fair value assessment to the closing share price on the day of the effective issue/agreement to defer;
- agreed the key terms of the consideration to the signed share purchase agreement including the value, performance targets and performance periods for a sample of year end liabilities;
- obtained management's calculation of the closing liability and checked the mathematical accuracy and integrity, including alignment with the terms of the SPA;
- agreed the calculated actual achievement of targets to management information, reconciled this to the year end consolidation and assessed the calculation for completeness of adjustments;
- performed sensitivity analysis to identify the impact on the liability of changes in the performance of the acquisitions; and
- audited the disclosures for completeness and accuracy.

Based upon the procedures performed, we concluded that management's judgements in respect of contingent consideration and holdback liabilities were reasonable.

**Carrying value of investments (Company)**

At 31 December 2022, the Company held investments in subsidiaries amounting to £1.05 billion (2021: £905 million). Investments in subsidiaries are accounted for at historical cost less accumulated impairment.

Judgement is required to assess if impairment triggers exist and where triggers are identified, if the investment carrying value is supported by the recoverable amount. In assessing impairment triggers, management considers if the underlying net assets of the investment support the carrying amount and whether other facts and circumstances would be indicative of a trigger.

Based on management's assessment, no indicators of impairment in respect of the carrying value of investments in subsidiaries were identified at the balance sheet date.

Refer to Note 1 of the Company's financial statements.

In respect of investments in subsidiaries in the Company, we undertook the following to test management's assessment for indicators of impairment:

- evaluated and challenged management's assessment and judgements, including ensuring that consideration had been given to the results of the Group's impairment assessment (see impairment of intangible assets KAM above);
- traced additions in the year to underlying legal agreements where applicable;
- verified the mathematical accuracy of management's assessment and that the net assets of the subsidiaries being assessed agreed to the respective subsidiary balance sheet at 31 December 2022;
- independently performed an assessment of other internal and external impairment triggers, including considering the market capitalisation of the Group with reference to the carrying value of the investments in subsidiaries in the Company to identify other possible indicators of impairment.

Based on our procedures, we are satisfied that management's impairment assessment is appropriate and there are no indicators of impairment in respect of the carrying value of the Company's investments in subsidiaries as at 31 December 2022.

# Independent auditors' report to the members of S4Capital plc continued

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As referred to above, the Group is organised into three reportable segments - Content, Data&Digital Media 'DDM' and Technology Services. Each segment is further divided into 132 legal entities with 24 legal entities considered as Group holding companies outside of a reportable segment.

The Group's accounting processes for its operations are structured around a local finance function at each component, which are supported by the practice finance team and the Group's central functions in both the United Kingdom and the Netherlands. Each component reports to the Group through an integrated consolidation system.

Based on our risk and materiality assessments, we determined which components required an audit of their complete financial information having consideration to the significance of each component to the Group taking into consideration the Group's significant inherent risks and the overall coverage achieved over each material financial statement line item within the financial statements.

We scoped in 11 components requiring an audit of their complete financial information, of which 2 were considered to be financially significant components. Of the 2, one was audited by PwC US and one by the Group engagement team.

In addition, 16 components were scoped in for the audit of significant account balances and transactions to obtain appropriate coverage of all material balances.

Taken together, the components where we performed our audit and specified procedures work accounted for 76% of the Group's consolidated revenue.

The Group engagement team were significantly involved at all stages of the component audits by virtue of numerous communications throughout, including the issuance of detailed audit instructions and review and discussions of the audit approach and findings, in particular over our areas of focus. The Group audit team met with local management and the component audit teams and attended their clearance meetings.

In addition, we reviewed the component team reporting results and their supporting working papers, which together with the additional procedures performed at Group level, gave us the evidence required for our opinion on the financial statements as a whole. Our audit procedures at the Group level included the audit of the consolidation, goodwill, acquisitions, cash and cash equivalents, share-based payments and taxes.

The financial statements of the Company are prepared using the same accounting processes and controls as the Group's central functions and were audited by the Group audit team.

## The impact of climate risk on our audit

As part of our audit procedures, we have considered the potential impact of climate change on the Group's operations and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change as explained in the ESG report on pages 37 to 64.

As a part of our audit, we obtained management's climate related risk assessment and held a number of discussions with management to understand their process of identifying climate related risks, the determination of mitigating actions and the impact on the Group's financial statements. As a result of our procedures we concluded that the key areas in the financial statements which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As such, we particularly considered how the commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Group's impairment assessment, for assessing both the recoverability of goodwill and the investments held by the Company.

Our procedures were performed with the involvement of our Environmental, Social and Governance specialists and included reading the disclosures in relation to climate change within the Annual Report and considered its consistency with the financial statements and our knowledge from the audit. We did not identify any material impact on our key audit matters or the wider audit for the year ended 31 December 2022.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
<b>Overall materiality</b>	£10 million (2021: £6.8 million).	£10.5 million (2021: £9 million).
<b>How we determined it</b>	approximately 1% of revenue	approximately 1% of total assets
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the Annual Report, revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market. Based on this it is considered appropriate to use revenue as an appropriate benchmark.	We considered total assets to be an appropriate benchmark for the Company, given that it is the ultimate holding Company and holds material investments in subsidiary undertakings. Total assets is also a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £500,000 and £9 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% (2021: 75%) of overall materiality, amounting to £5 million (2021: £5.1 million) for the Group financial statements and £5.25 million (2021: £6.8 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2021: £0.3 million) and £0.3 million (Company audit) (2021: £0.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# Independent auditors' report to the members of S4Capital plc continued

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Reading management's paper to the Audit and Risk Committee in respect of going concern, and agreeing the forecasts set out in this paper to the underlying base case cash flow model and board approved budgets;
- Obtaining and examining management's base case forecast and downside scenarios, including those that incorporate the unpredictability of the wider macroeconomic environment, checking that the forecasts have been subject to board review and approval;
- Considering the historical reliability of management's forecasting for cash flow and net debt by comparing budgeted results to actual performance;
- Auditing the key inputs into the model to ensure that these were consistent with our understanding and inputs used in other key accounting judgements within the financial statements;
- Performing our own independent sensitivity analysis to understand the impact of changes in cash flow and net debt on the resources available to the Group; and
- Auditing the covenants applicable to the Group's borrowings and auditing whether management's assessment supports ongoing compliance with those covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

# Independent auditors' report to the members of S4Capital plc continued

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias within accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Understanding and evaluating the design and implementation of controls designed to prevent and detect irregularities and fraud;
- Inquiry of management, the Audit and Risk Committee, Internal Audit and the Group's legal advisers regarding their consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Inquiry of management and the Audit and Risk Committee regarding their consideration of fraud and the risk of management override of controls through the use of intercompany balances and transactions;
- Identifying and testing intercompany balances to ensure they were genuine and were eliminated appropriately within the consolidated financial statements;
- Scoping in all bank accounts for bank confirmation or alternative procedures where bank confirmations could not be obtained (see the scope of our audit section above); and
- Challenging assumptions and judgements made by management in respect of critical accounting judgements and significant accounting estimates, and assessing these judgements and estimates for management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.



Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Appointment**

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 28 January 2019 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2018 to 31 December 2022.

#### **Other matter**

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



#### **Mark Jordan (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

#### **London**

13 April 2023

# Consolidated statement of profit or loss

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
<b>Revenue</b>	5	<b>1,069,489</b>	<b>686,601</b>
Direct costs		(177,797)	(126,338)
Net revenue		891,692	560,263
Personnel costs	6	(682,072)	(412,537)
Other operating expenses	6	(83,327)	(49,829)
Acquisition, restructuring and other expenses	6	(155,873)	(83,496)
Depreciation, amortisation and impairment	6	(105,711)	(56,456)
Share of loss of joint venture	14	(5)	–
Total operating expenses		(1,026,988)	(602,318)
<b>Operating loss</b>		<b>(135,296)</b>	<b>(42,055)</b>
Adjusted operating profit		114,096	94,808
Adjusting items <sup>1</sup>		(249,392)	(136,863)
Operating loss		(135,296)	(42,055)
Finance income	7	1,493	1,032
Finance costs	7	(27,200)	(13,283)
Net finance costs		(25,707)	(12,251)
Gain/(loss) on the net monetary position		1,337	(1,344)
<b>Loss before income tax</b>		<b>(159,666)</b>	<b>(55,650)</b>
Income tax credit/(expense)	8	32	(1,065)
<b>Loss for the year</b>		<b>(159,634)</b>	<b>(56,715)</b>
Attributable to owners of the Company		(159,634)	(56,715)
Attributable to non-controlling interests		–	–
		(159,634)	(56,715)
<b>Loss per share is attributable to the ordinary equity holders of the Company</b>			
Basic loss per share (pence)	9	(27.0)	(10.3)
Diluted loss per share (pence)	9	(27.0)	(10.3)

**Note:**

1. Adjusting items comprises amortisation and impairment of intangibles of £78.8 million (2021: £39.5 million), acquisition and restructuring expenses of £155.9 million (2021: £83.5 million) and share-based payments of £14.7 million (2021: £13.9 million). See Note 6.

The results for the year are wholly attributable to the continuing operations of the Group.

The accompanying notes on pages 139 to 193 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2022

	2022 £'000	2021 £'000
<b>Loss for the year</b>	<b>(159,634)</b>	<b>(56,715)</b>
<b>Other comprehensive (expense)/income</b>		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit pension liabilities	(1)	–
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	70,673	(6,358)
Other comprehensive income/(expense)	70,672	(6,358)
<b>Total comprehensive expense for the year</b>	<b>(88,962)</b>	<b>(63,073)</b>
Attributable to owners of the Company	(88,962)	(63,073)
Attributable to non-controlling interests	–	–
	<b>(88,962)</b>	<b>(63,073)</b>

The accompanying notes on pages 139 to 193 form an integral part of these consolidated financial statements.

# Consolidated balance sheet

At 31 December 2022

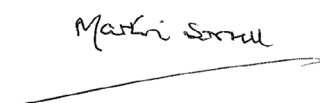
	Notes	2022 £'000	2021 Restated <sup>1</sup> £'000
<b>Assets</b>			
Goodwill	10	720,365	624,989
Intangible assets	11	445,161	356,289
Right-of-use assets	12	55,703	36,608
Property, plant and equipment	13	29,701	21,548
Deferred tax assets	15	16,827	6,526
Other receivables	16	12,208	3,185
<b>Non-current assets</b>		<b>1,279,965</b>	<b>1,049,145</b>
Trade and other receivables	16	440,799	335,498
Cash and cash equivalents	17	223,574	301,021
<b>Current assets</b>		<b>664,373</b>	<b>636,519</b>
<b>Total assets</b>		<b>1,944,338</b>	<b>1,685,664</b>
<b>Liabilities</b>			
Deferred tax liabilities	15	(65,960)	(68,627)
Loans and borrowings	19	(326,225)	(308,571)
Lease liabilities	12	(43,122)	(31,423)
Contingent consideration and holdbacks	20	(11,278)	(31,749)
Other payables	18	(5,687)	(2,845)
<b>Non-current liabilities</b>		<b>(452,272)</b>	<b>(443,215)</b>
Trade and other payables	18	(443,171)	(334,916)
Contingent consideration and holdbacks	20	(177,329)	(86,677)
Loans and borrowings	19	(674)	(2,523)
Lease liabilities	12	(15,274)	(10,545)
Tax liabilities		(6,009)	(6,550)
<b>Current liabilities</b>		<b>(642,457)</b>	<b>(441,211)</b>
<b>Total liabilities</b>		<b>(1,094,729)</b>	<b>(884,426)</b>
<b>Net assets</b>		<b>849,609</b>	<b>801,238</b>
<b>Equity</b>			
Share capital		141,958	138,827
Share premium		5,866	446,910
Merger reserves	21	–	205,717
Other reserves		175,192	76,654
Foreign exchange reserves		48,469	(22,203)
Retained earnings/(accumulated losses)		478,024	(44,767)
<b>Attributable to owners of the Company</b>		<b>849,509</b>	<b>801,138</b>
Non-controlling interests	21	100	100
<b>Total equity</b>		<b>849,609</b>	<b>801,238</b>

**Note:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented to split out certain balance sheet items and provide more clarity for the year ended 31 December 2022. See Note 2.

The accompanying notes on pages 139 to 193 form an integral part of these consolidated financial statements.

The consolidated financial statements of S<sup>4</sup>Capital plc on pages 194 to 200, Company registration number 10476913, were approved by the Board of Directors on 13 April 2023 and signed on its behalf by:



**Sir Martin Sorrell**  
Executive Chairman



**Mary Basterfield**  
Group Chief Financial Officer

# Consolidated statement of changes in equity

For the year ended 31 December 2022

Equity	Notes	Share capital £'000	Share premium £'000	Merger reserves £'000	Other reserves <sup>1</sup> £'000	Foreign exchange reserves £'000	Retained earnings/ (accumulated losses) £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
<b>At 1 January 2021</b>		<b>135,516</b>	<b>364,195</b>	<b>205,717</b>	<b>29,275</b>	<b>(15,845)</b>	<b>(3,181)</b>	<b>715,677</b>	<b>100</b>	<b>715,777</b>
<b>Comprehensive loss for the year</b>										
Loss for the year		–	–	–	–	–	(56,715)	(56,715)	–	(56,715)
Other comprehensive income		–	–	–	–	(6,358)	–	(6,358)	–	(6,358)
<b>Total comprehensive loss for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(6,358)</b>	<b>(56,715)</b>	<b>(63,073)</b>	<b>–</b>	<b>(63,073)</b>
Hyperinflation revaluation		–	–	–	1,633	–	–	1,633	–	1,633
<b>Transactions with owners of the Company</b>										
Issue of Ordinary Shares	21	–	–	–	–	–	–	–	–	–
Business combinations	21	3,311	82,715	–	45,856	–	–	131,882	–	131,882
Share-based payments	23	–	–	–	(110)	–	15,129	15,019	–	15,019
<b>At 31 December 2021</b>		<b>138,827</b>	<b>446,910</b>	<b>205,717</b>	<b>76,654</b>	<b>(22,203)</b>	<b>(44,767)</b>	<b>801,138</b>	<b>100</b>	<b>801,238</b>
<b>At 1 January 2022</b>		<b>138,827</b>	<b>446,910</b>	<b>205,717</b>	<b>76,654</b>	<b>(22,203)</b>	<b>(44,767)</b>	<b>801,138</b>	<b>100</b>	<b>801,238</b>
Hyperinflation restatement <sup>2</sup>		–	–	–	3,266	–	–	3,266	–	3,266
Adjusted opening balance		138,827	446,910	205,717	79,920	(22,203)	(44,767)	804,404	100	804,504
<b>Comprehensive loss for the year</b>										
Loss for the year		–	–	–	–	–	(159,634)	(159,634)	–	(159,634)
Other comprehensive expense		–	–	–	–	70,672	–	70,672	–	70,672
<b>Total comprehensive income/(loss) for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>70,672</b>	<b>(159,634)</b>	<b>(88,962)</b>	<b>–</b>	<b>(88,962)</b>
<b>Transactions with owners of the Company</b>										
Issue of Ordinary Shares	21	–	–	–	–	–	–	–	–	–
Realised merger reserve <sup>3</sup>	21	–	(462,705)	(205,717)	–	–	668,422	–	–	–
Business combinations	21	3,131	21,661	–	94,852	–	–	119,644	–	119,644
Share-based payments	23	–	–	–	420	–	14,003	14,423	–	14,423
<b>At 31 December 2022</b>		<b>141,958</b>	<b>5,866</b>	<b>–</b>	<b>175,192</b>	<b>48,469</b>	<b>478,024</b>	<b>849,509</b>	<b>100</b>	<b>849,609</b>

## Notes:

- Other reserves include the deferred equity consideration of £171.8 million (2021: £77.0 million), which comprises TheoremOne for £55.0 million (2021: £nil), Raccoon for £43.0 million (2021: £16.8 million), Decoded for £48.0 million (2021: £47.9 million), XX Artists for £7.8 million (2021: £nil), Cashmere for £6.9 million (2021: £6.9 million), Zemoga for £8.7 million (2021: £5.4 million), 4 Mile for £2.3 million (2021: £nil) and Destined for £0.1 million (2021: £nil), the treasury shares issued in the name of S<sup>4</sup>Capital plc to an employee benefit trust for the amount of £1.8 million (2021: £2.5 million), and the impact of hyperinflation in Argentina of £4.9 million (2021: £1.6 million).
- Hyperinflation restatement to 1 January 2021. See Note 3.
- During the year ended 31 December 2022, the Group undertook a reduction of capital to effect the cancellation of the C ordinary shares resulting from the capitalisation of the sum of £205,717,000 standing to the credit of the Company's merger reserve.

The accompanying notes on pages 139 to 193 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
<b>Cash flows from operations</b>	24	<b>97,250</b>	<b>68,496</b>
Income taxes paid		(18,988)	(13,874)
<b>Net cash flows from operating activities</b>		<b>78,262</b>	<b>54,622</b>
<b>Cash flows from investing activities</b>			
Investments in intangible assets	11	(1,512)	(3,458)
Investments in property, plant and equipment	13	(16,379)	(11,119)
Acquisition of subsidiaries, net of cash acquired		(123,655)	(86,604)
Tax paid as result of acquisition		–	(5,116)
Financial fixed assets		1,755	(323)
<b>Cash flows from investing activities</b>		<b>(139,791)</b>	<b>(106,620)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		206	1,143
Additional borrowings during the year	19	–	342,994
Payment of lease liabilities	12	(17,534)	(10,903)
Repayments of loans and borrowings	19	(891)	(110,895)
Transaction costs paid on borrowings		–	(8,379)
Interest paid		(14,166)	(5,530)
<b>Cash flows from financing activities</b>		<b>(32,385)</b>	<b>208,430</b>
<b>Net movement in cash and cash equivalents</b>		<b>(93,914)</b>	<b>156,432</b>
Cash and cash equivalents beginning of the year <sup>1</sup>	17	299,122	142,052
Exchange gain on cash and cash equivalents		18,350	638
<b>Cash and cash equivalents at the end of the year<sup>1</sup></b>	17	<b>223,558</b>	<b>299,122</b>

**Notes:**

1. Including bank overdrafts £nil (2021: £1.9m).

The accompanying notes on pages 139 to 193 form an integral part of these consolidated financial statements.



# Notes to the consolidated financial statements

## 1. General information

S<sup>4</sup>Capital Plc ('S<sup>4</sup>Capital' or 'Company'), is a public Company, limited by shares, incorporated on 14 November 2016 in England, United Kingdom. The Company has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom.

The consolidated financial statements represent the results of the Company and all its subsidiaries (together referred to as 'S<sup>4</sup>Capital Group' or the 'Group'). An overview of the subsidiaries is included in Note 29.

S<sup>4</sup>Capital Group's principal activities are focused on the provision of new age/new era digital advertising and marketing services.

## 2. Basis of preparation

### A. Statement of compliance

The financial statements of S<sup>4</sup>Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The consolidated financial statements were authorised for issue by the Board of Directors on 13 April 2023.

### B. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Pound Sterling (£ or GBP), the Group's functional currency. All financial information in Pound Sterling has been rounded to the nearest thousand unless otherwise indicated.

### C. Basis of measurement

The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared on the historical cost basis, except for the fair value measurement of contingent considerations and fair value measurement of plan assets in our defined benefit pension plan. The accounting principle have been consistently applied over the reporting periods.

#### Going Concern

The Board of Directors has thoroughly assessed the Group and Company's capacity to sustain operations as a going concern.

As indicated in the preliminary results announcement, the anticipated growth of our markets in 2023 is expected to be slower due to subdued global economic conditions influenced by inflation and rising interest rates. The Board has examined the Group's cash flow projections for the period extending until December 31, 2024, under both base and severe yet plausible downside scenarios. These assessments take into account uncertainties such as inflation, decreased demand, and the potential impacts of these uncertainties on growth rates, macroeconomic conditions, and the Group as a whole. The primary assumptions in the base case are in accordance with the Group's Board-approved 2023-25 three-year plan. Severe yet plausible downside scenarios foresee only a 7% increase in net revenue for 2023 and a 5% increase for 2024. Management is confident that these forecasts have been prudently established and consider potential effects on growth rates and trading performance.

The Group possesses substantial financial resources. As of December 31, 2022, the Group's financial resources amounted to £324 million, comprising cash and bank balances of £224 million and an undrawn £100 million equivalent multicurrency senior secured revolving credit facility, which is set to expire in August 2026. These facilities ensure that the Group has access to adequate cash resources and working capital.

The Board is confident that the Group and Company can operate within the confines of their current debt and revolving credit facility while maintaining sufficient liquidity to fulfil its financial obligations as they become due for at least 12 months from the date of signing these financial statements. Consequently, the Group and Company will continue to employ the going concern basis in the preparation of their financial statements.

# Notes to the consolidated financial statements

## continued

## 2. Basis of preparation continued

### D. Critical accounting judgements and estimates

In preparing these consolidated financial statements, S<sup>4</sup>Capital Group makes certain judgements and estimates. Judgements and estimates are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these judgements and estimates.

The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Judgements

##### Revenue recognition

The Group's revenue is earned from the provision of data and digital media solutions and technology services. Under IFRS 15, revenue from contracts with customers is recognised as, or when, the performance obligation is satisfied.

Specifically for the Content segment, due to the size and complexity of contracts, management is required to form a number of judgements in the determination of the amount of revenue to be recognised including the identification of performance obligations within the contract and whether the performance obligation is satisfied over time or at a point in time. The key judgment is whether revenue should be recognised over time or at point in time. Where revenue is recognised over time, an estimate must be made regarding the progress towards completion of the performance obligation.

See Note 3 for a full description of the Group's revenue accounting policies.

##### Impairment of goodwill and intangible assets

The Group applies judgement in determining whether the carrying value of goodwill and intangible assets have any indication of impairment on an annual basis, or more frequently if required. Both external and internal factors are monitored for indicators of impairment. When performing the impairment review, management's approach for determining the recoverable amount of a cash-generating unit is based on the higher of value in use or fair value less cost to dispose. In determining the value in use, estimates and assumptions are used to derive cashflows, growth rates and discount rates. The value in use is compared with the carrying amount of the cash generating units.

##### Tax positions

The Group is subject to sales tax in a number of jurisdictions. Judgement is required in determining the provision for sales taxes due to uncertainty of the amount of tax that may be payable. Provisions in relation to uncertain tax positions are established on an individual rather than portfolio basis, considering whether, in each circumstance, the Group considers it is probable that the uncertainty will crystallise.

##### Use of alternative performance measures

In establishing which items are disclosed separately as adjusting items to enable a better understanding of the underlying financial performance of the Group, management exercise judgement in assessing the size and nature of specific items. The Group uses alternative performance measures as we believe these measures provide additional useful information on the underlying trend, performance, and position of the Group. These underlying measures are used by the Group for internal performance analyses, and credit facility covenants calculations. The alternative performance measures include 'adjusted operating profit', 'adjusting items', 'EBITDA' (earnings before interest, tax, depreciation) and 'operational EBITDA'. The terms 'adjusted operating profit', 'adjusting items', 'EBITDA' and 'operational EBITDA' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. The measures are not intended to be a substitute for, or superior to, GAAP measures. A full list of alternative performance measures and non-IFRS measures together with reconciliations to IFRS or GAAP measures are set out in the Alternative Performance Measures on pages 201 to 205.

## Estimates

Fair value of assets and liabilities acquired and measurement of consideration on business combinations

During the year, the Group acquired XX Artists on 1 July 2022, 4 Mile on 11 January 2022 and TheoremOne on 16 May 2022. The most significant fair value adjustments arising on the acquisitions were in relation to allocating the purchase price to the acquired intangibles recognised in the form of customer relationships.

In determining the fair value of the customer relationships to be recognised, estimates and assumptions are used in deriving the cashflows, renewal rates and discount rates. The cashflows include estimates of revenue growth, attrition rates, profit margins, contract durations, discount rates. Management involves external advisers on the valuation techniques used in determining the fair value of customer relationships. These inputs, combined with our internal knowledge and expertise on the relevant market growth opportunities, enabled management to determine the appropriate value of customer relationships. See Note 4 for further details.

The Group recognises contingent consideration on acquisitions, which comprise both performance and employment linked contingent consideration. The fair value of contingent consideration is based on management's best estimate of achieving future targets to which the contingent consideration is linked to, which is the most significant unobservable input. See Note 4 and 20 for further information.

## E. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) as applicable for contingent consideration.

## F. New and amended standards and interpretations adopted by the Group

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

### Reference to the Conceptual Framework – Amendments to IFRS 3

The Group has adopted the amendments to IFRS 3 Business Combinations. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

# Notes to the consolidated financial statements

## continued

## 2. Basis of preparation continued

### F. New and amended standards and interpretations adopted by the Group continued

#### Onerous Contracts—Cost of Fulfilling a Contract – Amendments to IAS 37

The Group has adopted the amendments to IAS 37. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle. The Annual Improvements include following amendments:

#### IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

#### IFRS 16 Leases

The amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

### G. New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### H. Restatement and re-presentation

The changes made to the fair value of the net identifiable assets acquired and the consideration during the Measurement Period resulted in an increase in the goodwill balance of £363,000 which has been retrospectively adjusted (see Note 4).

The impact of the retrospective adjustment on the consolidated balance sheet at 31 December 2021 is shown below. The consolidated balance sheet has also been re-presented to provide consistently with the presentation of balances for the year ended 31 December 2022 and provide further clarity by splitting out specific balance sheet items.

	31 December 2021			
	As reported £'000	Restated £'000	Re-presented £'000	As restated £'000
Goodwill	–	363	624,626	624,989
Intangible assets	980,915	–	(624,626)	356,289
<b>Total non-current assets</b>	<b>1,048,782</b>	<b>363</b>	<b>–</b>	<b>1,049,145</b>
<b>Total assets</b>	<b>1,685,301</b>	<b>363</b>	<b>–</b>	<b>1,685,664</b>
Deferred tax liabilities	(68,478)	(149)	–	(68,627)
<b>Total non-current liabilities</b>	<b>(443,066)</b>	<b>(149)</b>	<b>–</b>	<b>(443,215)</b>
Trade and other payables	(324,059)	93	(10,950)	(334,916)
Contingent consideration and holdbacks	(86,370)	(307)	–	(86,677)
Tax liabilities	(17,500)	–	10,950	(6,550)
<b>Total current liabilities</b>	<b>(440,997)</b>	<b>(214)</b>	<b>–</b>	<b>(441,211)</b>
<b>Total liabilities</b>	<b>(884,063)</b>	<b>(363)</b>	<b>–</b>	<b>(884,426)</b>
<b>Net assets</b>	<b>801,238</b>	<b>–</b>	<b>–</b>	<b>801,238</b>

### 3. Significant accounting policies

#### A. Basis of consolidation

##### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the S4Capital Group. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised as a fair value gain or loss within acquisition, restructuring and other expenses within the consolidated statement of profit or loss.

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that entitle their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying value of non-controlling interests is the value of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

# Notes to the consolidated financial statements

## continued

### 3. Significant accounting policies continued

#### B. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

#### C. Revenue recognition

S<sup>4</sup>Capital Group produces digital campaigns, films, creative content, platforms and ecommerce for home-grown and international brands and provides data & digital media solutions for future thinking marketers and agencies and provides technology services.

Revenue comprises of gross amounts billed, or billable to clients and is stated exclusive of VAT and equivalent applicable taxes. The difference between revenue and net revenue represents direct costs. Direct costs comprise fees and expenses paid to external suppliers when they are engaged to perform all or part of a specific project and are charged directly to the customer, and where the Group retains quality control oversight. Direct costs are expensed as incurred.

Costs to obtain a contract are typically expensed as incurred as contracts are generally short term in nature.

S<sup>4</sup>Capital Group determines all the separate performance obligations within the customers' contract at contract inception. In many instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation.

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. This is assessed on a contract-by-contract basis. Revenue is recognised over time when the customer consumes the services as it is performed or the Group is entitled to payment for the services performed to date. Where there is no clear consumption by the customer or limited activities that transfer to the customer, revenue is recognised at a point in time, generally when the services or created content are delivered to the customer.

For each performance obligation that is satisfied over time, revenue is recognised by measuring progress towards completion of that performance obligation. Revenue recognised over time is based on the proportion of the level of services performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour and direct costs. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance.

Revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior reporting period was immaterial.

For our retainer arrangements, we have a stand-ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements is broad and generally not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition.

Where the total project costs exceed the project revenue, the loss is recognised within direct costs and personnel costs in the consolidated statement of profit or loss. A provision is recognised for such loss. No material onerous contract provisions have been identified in the year.

Accrued income is a contract asset and is recognised when a performance obligation has been satisfied but has not yet been billed. Accrued income is transferred to receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement.

In certain cases, payments are received from customers or amounts are billed with an unconditional right to receive consideration prior to satisfaction of performance obligations and recognised as deferred income. These balances are considered contract liabilities and are included in deferred income.

Accrued income and deferred income arising on contracts are included in trade and other receivables and other payables, as appropriate.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. No element of financing is deemed present as the sales are made with a general credit term of 30 days; some large multinational customers have credit terms of 45 days to 120 days.

The Group has applied the practical expedients in IFRS 15 not to account for significant financing components where the timing difference between receiving consideration and transferring control of services or created content to its customer is one year or less; and to expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

The Group has applied the practical expedient permitted by IFRS 15 to not disclose the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period as contracts typically have an original expected duration of a year or less.

#### **D. Foreign currency**

The main foreign currencies for the Group are the US dollar (USD) and Euro (EUR).

##### **Foreign currency transactions and balances**

- Foreign currency transactions are translated into the functional currency using the average exchange rates in the month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.
- Share capital, share premium and brought forward earnings are translated using the exchange rates prevailing at the dates of the transactions.

##### **Consolidation of foreign entities**

On consolidation, income and expenses of the foreign entities are translated from the local currencies to Pound Sterling, the presentation currency of the S<sup>4</sup>Capital Group, using average exchange rates during the period. All assets and liabilities of the Group's foreign operations are translated from the local functional currency to Pound Sterling using the exchange rates prevailing at the reporting date. The exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity. Exchange differences are recycled to consolidated profit or loss as a reclassification adjustment upon disposal of the foreign operation.



# Notes to the consolidated financial statements

## continued

### 3. Significant accounting policies continued

#### E. Employee benefits

##### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if S<sup>4</sup>Capital Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Share-based payments

S<sup>4</sup>Capital Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2. The share-based payments are measured at fair value at the grant date.

The fair value determined at the grant date is recognised in the income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group's estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market vesting conditions. A detailed description of the share-based payment plans is included in Note 23.

##### Defined contribution plans

S<sup>4</sup>Capital Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits. For defined contribution plans, contributions are charged to the statement of profit or loss as payable in respect of the accounting period.

##### Defined benefit plans

The net liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

#### F. Hyperinflation

Argentina was designated as a hyperinflationary economy and the financial statements of the Group's subsidiaries in Argentina have been adjusted for the effects of inflation.

IAS 29 Financial Reporting in Hyperinflationary Economies requires that the income statement is adjusted for inflation in the period and translated at the year-end foreign exchange rate and that non-monetary assets and liabilities on the balance sheet are restated to reflect the change in purchasing power caused by inflation from the date of initial recognition.

In 2022, this resulted in an increase in an increase in property, plant and equipment of £2.1 million (2021: £0.3 million), an increase in right of use assets of £2.5 million (2021: £nil), an increase in equity of £nil (2021: £1.6 million) and an opening equity restatement of £3.3 million (2021: £nil). For the year ended 31 December 2022, this resulted in a gain on the net monetary position of £1.3 million (2021: loss on the net monetary position of £1.3 million) in the consolidated statement of profit or loss. The impact on other non-monetary assets and liabilities in the year was immaterial. The FACPCE price index (Federación Argentina de Consejos Profesionales de Ciencias Económicas) of 1,132.3 was used at 31 December 2022 (2021: 582.5). The movement in this index during 2022 was 94.4% (2021: 50.9%).

## G. Income tax

Income tax expense comprises current and deferred tax. It is recognised in consolidated statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the financial year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which these items can be utilised. The exception to this is when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Notes to the consolidated financial statements continued

## 3. Significant accounting policies continued

### H. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

#### Goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the S<sup>4</sup>Capital Group. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the year. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of net identifiable assets and liabilities acquired. Goodwill is measured at cost less accumulated impairment losses. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the profit or loss on the acquisition date.

#### Other intangible assets – arising on the acquisition of business combinations

Brands, customer relationships and order backlog arising on the acquisition of business combinations, are measured at cost less accumulated amortisation and accumulated impairment losses. The acquired brands are well-known brands which are registered, have a good track record and have finite useful lives. Customer relationships are measured at the time of the business combination and have finite useful lives. Order backlog has finite useful lives and represents the contracted but not yet fulfilled revenues at the time of the business combination.

#### Other intangible assets – development expenditure and purchased software

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Purchased software packages have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### Impairment of goodwill and intangible assets with indefinite useful lives

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for assets previously revalued with the revaluation taken to other comprehensive income (OCI). For such assets, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at year end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are also tested for impairment annually at year end at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

# Notes to the consolidated financial statements

## continued

### 3. Significant accounting policies continued

#### H. Intangible assets continued

##### Amortisation

Amortisation is charged to profit or loss to allocate the cost of intangible assets over their estimated useful economic lives, using the straight-line method. Goodwill is not amortised.

The estimated useful economic lives of intangible assets for current and comparative periods are as follows:

• Brands	3 – 20 years
• Customer relationships	6 – 16.5 years
• Order backlog	0 – 3 years
• Others	3 – 10 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

##### Leases

The Group leases most of its offices in cities where it operates.

At inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration.

Each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is recognised in operating expenses costs and interest expense is recognised under finance expenses in the profit or loss. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment and an impairment test is performed when an impairment indicator exists.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

##### Short-term leases and leases of low value assets

The Group has elected to use the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option and leases of low value assets which the present value of the assets is below £5,000. The payments associated with these leases are recognised as operating expenses over the lease term.

## I. Property, plant and equipment

### Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

### Depreciation

Depreciation is charged to profit or loss to allocate the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives for current and comparative periods range as follows:

• Leasehold improvements	Over life of lease
• Furniture and fixtures	5 years
• Office equipment	3 – 5 years
• Other assets	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Impairment

PPE assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in carrying value is being charged to the consolidated statement of profit or loss. PPE assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period. The reversal is limited to the carrying amount net of depreciation, had no impairment loss been recognised in the prior reporting periods.

## J. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets – Recognition and initial measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

# Notes to the consolidated financial statements

## continued

### 3. Significant accounting policies continued

#### J. Financial instruments continued

##### Classification and subsequent measurement – Financial assets

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### Financial assets – Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### **Financial liabilities – Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

#### **Financial liabilities – Subsequent measurement**

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Any gains or losses on liabilities held are recognised as a fair value gain or loss in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

#### **Financial liabilities – Derecognition**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of profit or loss as a fair value gain or loss.

# Notes to the consolidated financial statements

## continued

### 3. Significant accounting policies continued

#### K. Equity

The Group's ordinary share capital is classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Group issues financial instruments which are treated as equity only to the extent that they do not meet the definition of a financial liability. These equity instruments are based on a fixed number of shares. These equity instruments include both initial deferred equity consideration and deferred equity consideration following the achievement of contingent consideration criteria.

#### L. Cash flow statement

The cash flow statement is prepared using the indirect method. The cash and cash equivalents in the cash flow statement comprise cash and cash equivalents except for deposits with a maturity of longer than three months and minus current bank loans drawn under overdraft facilities. Cash flows denominated in foreign currencies are converted based on average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statement.

Income taxes paid are included in cash flows from operating activities. Interest paid is included in cash flows from financing activities. Purchase consideration for amounts paid for acquiring subsidiaries, net of cash acquired, is included in cash flows from investing activities, insofar as the acquisition is settled in cash. Performance linked contingent consideration paid is included within the investing activities. Where the estimate of contingent consideration is adjusted outside of the measurement period, through the consolidated income statement, then the payment of the difference between the initial estimate and the increased estimate is included within operating cash flows. Employment linked contingent consideration paid is included in cashflows from operating activities. Principal elements of lease payments are included in cash flows from financing activities.

### 4. Acquisitions

#### Current year acquisitions

##### Content Practice

On 1 July 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and XX Artists LLC (known as XX Artists), an award winning Social Media Marketing agency, headquartered in Los Angeles, with a competitive talent edge, for an expected total consideration of approximately £20.5 million, including initial cash consideration of £11.8 million. The initial £11.8 million cash outlay was funded through the Group's own cash resources for the entire issued share capital of XX Artists. The acquisition will augment the Group's Social Media Marketing capabilities. Since the acquisition date, XX Artists contributed £25.3 million to the Group's revenue and £4.6 million to the Group's operational EBITDA for the year ended 31 December 2022.

Included within the total purchase consideration is deferred consideration of £7.8 million and holdbacks of £0.8 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being £nil.

In relation to XX Artists, the employment linked contingent consideration due to the Sellers who remain employees of the business is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver and therefore should be excluded from the total purchase consideration. At 31 December 2022, £35.8 million was included within the employment linked contingent consideration (see Note 20) with no additional amounts to be accrued in future periods as the liability had been accrued in full. The employment linked contingent consideration is payable on the basis that XX Artists achieves post acquisition EBITDA targets for the 12 month period ended 31 December 2022. This represents the maximum amount payable as at the date of the acquisition. The business is expected to achieve the performance targets in full. If the business does not achieve the minimum performance target the amount payable would be £nil.

The assets and liabilities in the table below remain provisional as the purchase price allocation has not been fully finalised at the end of the reporting period.

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets – Customer relationships	–	15,402	15,402
Intangible assets – Brand names	–	990	990
Property, plant and equipment	388	–	388
Right-of-use asset	–	709	709
Other non-current assets	42	–	42
Cash and cash equivalents	96	–	96
Trade and other receivables	9,898	–	9,898
Trade and other payables	(8,122)	–	(8,122)
Lease liabilities	–	(709)	(709)
Net identifiable assets	2,302	16,392	18,694
Goodwill	18,192	(16,392)	1,800
<b>Total</b>	<b>20,494</b>	<b>–</b>	<b>20,494</b>
Cash			11,880
Deferred consideration			7,786
Holdbacks			828
<b>Total purchase consideration</b>			<b>20,494</b>
Cash consideration			11,880
Cash and cash equivalents acquired			(96)
<b>Cash outflow on acquisition (net of cash acquired)</b>			<b>11,784</b>

#### Data&Digital Media practice

On 11 January 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and 4 Mile LLC (known as 4 Mile), a California-based leader in data analytics, data engineering, data governance, software engineering, UX design and project & product management, for an expected total consideration, including performance linked contingent consideration, of approximately £25.1 million, including initial cash consideration of £7.0 million. The initial cash outlay was funded through the Group's own cash resources for the entire issued share capital of 4 Mile. This will enhance the Group's global analytics capabilities and expands its client base. Since the acquisition date, 4 Mile contributed £8.0 million to the Group's revenue and £0.7 million to the Group's operational EBITDA for the year ended 31 December 2022.

# Notes to the consolidated financial statements

## continued

### 4. Acquisitions continued

Included within the total purchase consideration is performance linked contingent consideration of £12.5 million, deferred consideration of £2.3 million and holdbacks of £3.4 million. The performance linked contingent consideration is payable on the basis that 4 Mile achieved post acquisition Gross Margin targets for the 12 months ending 31 December 2022.

The deferred consideration of £2.3 million relates to the share issuances which have been deferred with no element contingent on future events.

The assets and liabilities recognised as a result of the acquisition is as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets – Customer relationships	–	7,725	7,725
Intangible assets – Brand names	–	366	366
Intangible assets – Order backlog	–	822	822
Intangible assets – Software	–	325	325
Property, plant and equipment	42	–	42
Other non-current assets	1	–	1
Cash and cash equivalents	2,334	–	2,334
Trade and other receivables	1,674	–	1,674
Trade and other payables	(1,525)	–	(1,525)
Other non-current liabilities	(258)	–	(258)
Net identifiable assets	2,268	9,238	11,506
Goodwill	22,812	(9,238)	13,574
<b>Total</b>	<b>25,080</b>	<b>–</b>	<b>25,080</b>
Cash			6,964
Deferred consideration			2,264
Performance linked contingent consideration			12,450
Holdbacks			3,402
<b>Total purchase consideration</b>			<b>25,080</b>
Cash consideration			6,964
Cash and cash equivalents acquired			(2,334)
<b>Cash outflow on acquisition (net of cash acquired)</b>			<b>4,630</b>

As part of the 4 Mile acquisition, the Group is also contracted to pay employment linked contingent consideration due to the sellers who remain employees of the business, which is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver. The full amount of employment linked contingent consideration, of £6.5 million, had been accrued by 31 December 2022 (see Note 20).

During the period, £6.8 million of the performance linked contingent consideration which had been recognised on acquisition and £2.8 million relating to employment linked contingent consideration which had been accrued in the post acquisition period was released into the consolidated statement of profit or loss respectively as performance targets were not expected to be achieved in full. At 31 December 2022, the performance linked and employment linked contingent consideration remaining on the balance sheet is £8.8 million and £3.7 million respectively.

The amounts held at 31 December 2022 represent the maximum amount payable as the performance targets have not been met in full. If the business does not achieve the minimum performance target the amounts payable would be nil. Given the performance of the business we expect to have commercial discussions with the sellers regarding the outstanding consideration.

At 31 December 2022, the £5.0 million of holdbacks relates to amounts held back to cover and indemnify the Group against certain acquisition costs and any damages (see Note 20). The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the acquisition costs and any damages, with the minimum amount payable being £nil.

### Technology Services practice

On 16 May 2022, S<sup>4</sup>Capital plc announced the business combination between Media.Monks and Citrusbyte LLC, Proof LLC, Technical Performance Services LLC, Lemma Solutions LLC and Formula Partners LLC (collectively known as TheoremOne), a California-based leader in agile, full-stack innovation, engineering, and design and helps major enterprises achieve strategic digital transformation, for an expected total consideration of approximately £143.0 million. The initial consideration of £78.0 million was funded through the Group's own cash resources for the entire share capital of TheoremOne. The acquisition augments the Group's Technology Services and consulting capabilities and expands its client base. Since the acquisition date, TheoremOne contributed £59.0 million to the Group's revenue and £22.5 million to the Group's operational EBITDA for the year ended 31 December 2022.

Included within the total purchase consideration is deferred equity consideration of £55.0 million and holdbacks of £10.0 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back to cover and indemnify the Group against certain acquisition costs and any damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and any damages, with the minimum amount payable being £nil.

In relation to TheoremOne, the employment linked contingent consideration due to the sellers who remain employees of the business is deemed to represent employee remuneration given that it will be forfeited in the event of a Seller being a bad leaver and therefore should be excluded from the total purchase consideration. At the 31 December 2022, £54.2 million was included within employment linked contingent consideration (see Note 20). A further £28.9 million will be accrued during the year ended 31 December 2023. The employment linked contingent consideration is payable on the basis that TheoremOne achieves post acquisition EBITDA targets for the 12 month period ended 31 December 2022. This represents the maximum amount payable as at 31 December 2022. The business is expected to achieve the performance targets in full. If the business did not achieve the minimum performance target the amount payable would be £nil.

# Notes to the consolidated financial statements

## continued

### 4. Acquisitions continued

The assets and liabilities in the table below remain provisional as the purchase price allocation have not been fully finalised at the end of the reporting period.

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets – Customer relationships	–	81,102	81,102
Intangible assets – Brand names	–	1,881	1,881
Intangible assets – Order backlog	–	7,023	7,023
Property, plant and equipment	553	–	553
Other non-current assets	140	–	140
Cash and cash equivalents	5,238	–	5,238
Trade and other receivables	12,780	(1,978)	10,802
Trade and other payables	(1,753)	–	(1,753)
Net identifiable assets	16,958	88,028	104,986
Goodwill	126,034	(88,028)	38,006
<b>Total</b>	<b>142,992</b>	<b>–</b>	<b>142,992</b>

Cash	77,974
Deferred consideration	55,016
Holdbacks	10,002
<b>Total purchase consideration</b>	<b>142,992</b>

Cash consideration	77,974
Cash and cash equivalents acquired	(5,238)
<b>Cash outflow on acquisition (net of cash acquired)</b>	<b>72,736</b>

The goodwill represents the potential growth opportunities and synergy effects from the acquisitions. The goodwill for 4 Mile, TheoremOne and XX Artists is deductible for US tax purposes. Trade receivables, net of expected credit losses, acquired are considered to be fair value and are expected to be collectable in full. The gross contractual trade receivables of the acquired companies at the acquisition date total £18.6 million of which £2.0 million was expected to be uncollectable at the date of acquisition.

The total acquisition costs of £13.2 million (2021: £8.1 million) have been recognised under acquisition and set-up related expenses in the consolidated statement of profit or loss.

Since the acquisition date, the acquired companies, XX Artists, 4 Mile and TheoremOne, contributed £92.3 million to the Group's revenue and £27.8 million operational EBITDA to the Group's results for the year ended 31 December 2022.

If the acquisitions had occurred on 1 January 2022, the Group's revenue would have been £1,108.7 million and the Group's operational EBITDA for the year would have been £136.3 million.

### Prior year acquisitions

The initial accounting for the business combination of Raccoon, Zemoga, Cashmere and Maverick were incomplete by the 31 December 2021. As required by IFRS 3, the following fair value adjustments have been made during the measurement period, which had no material impact on the profit and loss statement.

	As disclosed at 31 December 2021		At 31 December 2022
	Provisional fair value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets – Customer relationships	86,552	–	86,552
Intangible assets – Brand names	2,804	–	2,804
Intangible assets – Order backlog	3,547	–	3,547
Intangible assets – Software	829	–	829
Property, plant and equipment	2,827	–	2,827
Right-of-use asset	6,022	–	6,022
Other non-current assets	703	–	703
Cash and cash equivalents	15,839	–	15,839
Trade and other receivables	20,918	–	20,918
Trade and other payables	(21,897)	91	(21,806)
Current taxation	(8,439)	–	(8,439)
Lease liabilities	(6,354)	–	(6,354)
Other non-current liabilities	(2,288)	–	(2,288)
Deferred taxation	(16,337)	(160)	(16,497)
Net identifiable assets	84,726	(69)	84,657
Goodwill	134,975	365	135,340
<b>Total</b>	<b>219,701</b>	<b>296</b>	<b>219,997</b>
Payment in kind (common stock)	56,236	–	56,236
Cash	77,204	–	77,204
Deferred consideration	28,444	–	28,444
Performance linked contingent consideration	45,672	296	45,968
Holdbacks	12,145	–	12,145
<b>Total purchase consideration</b>	<b>219,701</b>	<b>296</b>	<b>219,997</b>
Cash consideration	77,204	–	77,204
Cash and cash equivalents acquired	(15,839)	–	(15,839)
<b>Cash outflow on acquisition (net of cash acquired)</b>	<b>61,365</b>	<b>–</b>	<b>61,365</b>

### Raccoon Group (Raccoon)

Included within the total purchase consideration is deferred consideration of £16.8 million and holdbacks of £0.1 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relate to amounts held back due to cover and indemnify the Group against certain acquisition costs and any damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and any damages, with the minimum amount payable being £nil.



# Notes to the consolidated financial statements

## continued

### 4. Acquisitions continued

In relation to Raccoon, the Group is also contracted to pay contingent consideration due to sellers who remain employees of the business which is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver and therefore should be excluded from the total purchase consideration. At the 31 December 2022, the payable balance is £55.1 million with no additional amounts to be accrued in future period as the liability had been accrued in full. The employment linked contingent consideration is payable on the basis that Raccoon achieves post acquisition EBITDA targets for the 12 month period ended 31 December 2022. This represents the maximum amount payable as at the date of the acquisition. The business is expected to achieve the performance targets in full. If the business did not achieve the minimum performance target the amount payable would be £nil.

#### Zemoga Group (Zemoga)

The total purchase consideration within the provisional fair value for the year ended 31 December 2021, included performance linked contingent consideration of £22.0 million (restated to £22.2 million), deferred consideration of £5.5 million and holdbacks of £7.7 million. During the year ended 31 December 2022, the Group settled the performance linked contingent consideration and partially settled the holdbacks. The performance linked contingent consideration represents the maximum amount payable and has been paid during the year as the business achieved post acquisition EBITDA targets for the 12 months ending 31 December 2021.

The deferred consideration of £5.5 million relates to the share issuances which have been deferred with no element contingent on future events. The remaining £6.3 million, as at 31 December 2022, of holdbacks relates to amounts held back due to cover and indemnify the Group against certain acquisition costs and damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and damages, with the minimum amount payable being £nil.

#### Cashmere Agency Inc (Cashmere)

Included within the total purchase consideration is deferred consideration of £6.2 million and holdbacks of £2.8 million. The deferred consideration relates to the share issuances which have been deferred with no element contingent on future events. The holdbacks relates to amounts held back due to cover and indemnify the Group against certain acquisition costs and any damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and any damages, with the minimum amount payable being £nil.

#### Jam3

Included within the total purchase consideration is performance linked contingent consideration of £11.0 million and holdbacks of £0.3 million. The performance linked contingent consideration represents the maximum amount payable and has been paid during the year ended 31 December 2021 as the business achieved post acquisition EBITDA targets for the 4 month period ended 31 July 2021. The £0.3 million of holdbacks relates to amounts held back to cover and indemnify the Group against certain acquisition costs and any damages. The Group currently expects to settle the maximum holdback amount. The amount payable would be dependent on the amount of these acquisition costs and any damages, with the minimum amount payable being £nil.

In relation to Jam3, the Group is also contracted to pay contingent consideration due to sellers who remain employees of the business which is deemed to represent employee remuneration given that it will be forfeited in the event of a seller being a bad leaver and therefore should be excluded from the total purchase consideration. At the 31 December 2022, no amounts were held within employment linked contingent consideration and no additional amounts to be accrued in future period as the business achieved post acquisition EBITDA targets for the 12 month period ended 31 December 2022, which the Group settled in the period.

### 5. Segment information

#### A. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM has been identified as the Board of Directors of S<sup>4</sup>Capital Group.

During the year, S<sup>4</sup>Capital Group has three reportable segments as follows:

- Content practice: Creative content, campaigns, and assets at a global scale for paid, social and earned media – from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint.
- Data&Digital Media practice: Full-service campaign management analytics, creative production and ad serving, platform and systems integration, transition, training and education.

- Technology Services practice: Digital transformation services in delivering advanced digital product design, engineering services and delivery services.

The customers are primarily businesses across technology, fast moving consumer goods (FMCG) and media and entertainment. Any intersegment transactions are based on commercial terms.

The Board of Directors monitor the results of the reportable segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

The Board of S<sup>4</sup>Capital Group uses net revenue rather than revenue to manage the Company due to the fluctuating amounts of direct costs, which form part of revenue.

No analysis of the assets and liabilities of each reportable segment is provided to the CODM in the monthly management accounts; therefore, no measure of segmental assets or liabilities is disclosed in this Note.

The following is an analysis of the Group's net revenue and results by reportable segments:

	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>2022</b>				
<b>Revenue</b>	<b>755,422</b>	<b>220,498</b>	<b>93,569</b>	<b>1,069,489</b>
Net revenue	582,713	216,818	92,161	891,692
Segment profit <sup>1</sup>	74,053	39,870	36,137	150,060
Overhead costs				(25,888)
Adjusted non-recurring and acquisition related expenses <sup>2</sup>				(170,533)
Depreciation, amortisation and impairment <sup>3</sup>				(88,935)
Net finance costs and gain on net monetary position				(24,370)
<b>Loss before income tax</b>				<b>(159,666)</b>

**Notes:**

1. Including £16.8m related to depreciation and impairment of right-of-use assets.
2. Comprised of acquisition and restructuring expenses (£155.9 million) and share-based payment costs (£14.7 million). See Note 6.
3. Excluding £16.8m related to depreciation and impairment of right-of-use assets.

	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>2021</b>				
<b>Revenue</b>	<b>513,433</b>	<b>165,646</b>	<b>7,522</b>	<b>686,601</b>
Net revenue	385,552	167,079	7,632	560,263
Segment profit <sup>1</sup>	52,286	55,024	3,087	110,397
Overhead costs				(9,410)
Adjusted non-recurring and acquisition related expenses <sup>2</sup>				(97,372)
Depreciation, amortisation and impairment <sup>3</sup>				(45,670)
Net finance costs and loss on net monetary position				(13,595)
<b>Loss before income tax</b>				<b>(55,650)</b>

**Notes:**

1. Including £10.8m related to depreciation of right-of-use assets.
2. Comprised of acquisition and restructuring expenses (£83.5 million) and share-based payment costs (£13.9 million). See Note 6.
3. Excluding £10.8m related to depreciation and impairment of right-of-use assets.

Segment profit represents the profit earned by each segment without allocation of the share of loss of joint ventures, central administration costs including Directors' salaries, finance income, non-operating gains and losses, and income tax expense. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

## B. Information about major customers

S<sup>4</sup>Capital Group has an attractive and expanding client base with seven clients providing more than £20 million of revenue per annum representing 39% of the Group's revenue. During the year ended 31 December 2021 five clients provided more than £20 million of revenue representing 31% of the Group's revenue.

One customer accounted for more than 10% of the Group's revenue during the year, contributing £187.5 million. The revenue from this customer was attributable to both the Content and Data&Digital Media segments. For the prior year, one customer accounted for more than 10% of the Group's revenue, contributing £94.2 million. The revenue from this customer was attributable to both the Content and Data&Digital Media segments.

# Notes to the consolidated financial statements

## continued

### 5. Segment information continued

#### C. Geographical information

The Group's revenue, net revenue and non-current assets by geographical segment is shown below. Non-current assets exclude deferred tax assets.

	The Americas £'000	Europe, Middle East & Africa £'000	Asia Pacific £'000	Total £'000
<b>2022</b>				
Revenue	776,359	210,870	82,260	1,069,489
Net revenue	673,785	156,158	61,749	891,692
Non-current assets	824,348	397,555	41,235	1,263,138
<b>2021</b>				
Revenue	452,608	166,133	67,860	686,601
Net revenue	391,117	115,957	53,189	560,263
Non-current assets	624,182	378,050	40,025	1,042,257

### 6. Operating expenses

	<b>2022</b> £'000	2021 £'000
<b>Personnel expenses<sup>1</sup></b>		
Wages and salaries	544,247	327,653
Social security costs <sup>2</sup>	79,245	42,452
Defined contribution pension costs	15,660	9,045
Share-based payments <sup>2</sup>	14,216	13,876
Other personnel costs	28,704	19,511
<b>Total</b>	<b>682,072</b>	<b>412,537</b>

#### Notes:

1. Contingent consideration is disclosed separately from personnel expenses, as part of Acquisition expenses below.

2. Social security costs includes £0.4 million of social security relating to share-based payments.

The key management personnel comprise the Directors of the Group. Details of compensation for key management personnel are disclosed on pages 105 to 106.

<b>Monthly average number of employees by segment</b>	<b>2022</b>	2021
Content	5,707	4,210
Data&Digital Media	2,432	1,425
Technology Services	597	138
Central	36	21
<b>Total</b>	<b>8,772</b>	<b>5,794</b>

<b>Monthly average number of employees by geography</b>	<b>2022</b>	2021
The Americas	5,859	3,639
Europe, Middle East and Africa	1,966	1,524
Asia Pacific	947	631
<b>Total</b>	<b>8,772</b>	<b>5,794</b>

<b>Acquisition and restructuring expenses</b>	<b>2022</b> £'000	2021 £'000
Advisory, legal, due diligence and related costs	7,912	10,485
Restructuring costs	4,900	–
Acquisition related bonuses	413	761
Contingent consideration	172,415	70,505
Contingent consideration fair value (gain)/loss	(29,767)	1,745
<b>Total</b>	<b>155,873</b>	<b>83,496</b>

	2022 £'000	2021 £'000
<b>Depreciation, amortisation and impairment</b>		
Depreciation of property, plant and equipment	10,076	6,179
Depreciation of right-of-use assets	16,313	10,786
Amortisation of intangible assets	57,011	39,491
Impairment of goodwill	15,165	–
Impairment of intangible assets	6,683	–
Impairment of right-of-use assets	463	–
<b>Total</b>	<b>105,711</b>	<b>56,456</b>

	2022 £'000	2021 £'000
<b>Other operating expenses</b>		
IT expenses	29,901	16,320
Consultancy fees	6,846	6,161
Accounting and administrative service fees	10,846	5,011
Lease costs	5,984	4,448
Sales and marketing costs	5,938	3,713
Legal fees	4,996	3,229
Travel and accommodation costs	8,627	2,318
Insurance fees	2,460	1,807
Impairment loss recognised on trade receivables	930	1,797
Other general and administrative costs	6,799	5,025
<b>Total</b>	<b>83,327</b>	<b>49,829</b>

Lease costs mainly relate to short term and low value lease costs under IFRS 16.

Audit fees included in general and administrative costs are as follows:

	2022 £'000	2021 £'000
<b>Audit fees</b>		
Group audit fees	4,161	550
Subsidiary audit fees	38	1,146
<b>Total – current year</b>	<b>4,199</b>	<b>1,696</b>
Group audit fees – prior year	1,682	–
<b>Total audit fees</b>	<b>5,881</b>	<b>1,696</b>
Audit related assurance services to the Group	300	130
<b>Total audit and non-audit fees</b>	<b>6,181</b>	<b>1,826</b>

Audit related assurance services to the Group relates to the fee charged for the half-year review. No other fees were payable to PWC LLP.

## 7. Finance income and expenses

	2022 £'000	2021 £'000
<b>Finance income</b>		
Interest income	1,493	1,032
<b>Total</b>	<b>1,493</b>	<b>1,032</b>
<b>Finance costs</b>		
Interest on bank loans and overdrafts	(14,324)	(6,169)
Interest on lease liabilities	(2,146)	(1,602)
Discounting of contingent consideration	(1,465)	–
Other finance costs	(9,265)	(5,512)
<b>Total</b>	<b>(27,200)</b>	<b>(13,283)</b>

# Notes to the consolidated financial statements

## continued

### 8. Income tax expense

The corporate income tax charge comprises the following:

	2022 £'000	2021 £'000
Current tax for the year	(18,219)	(12,638)
Adjustments for current tax of prior years	235	620
Total current tax	(17,984)	(12,018)
Movement in deferred tax liabilities	8,383	6,594
Movement in deferred tax assets	9,633	4,359
<b>Income tax credit / (expense) in profit or loss</b>	<b>32</b>	<b>(1,065)</b>

	2022 £'000	2021 £'000
Loss before income tax	(159,666)	(55,650)
Tax credit at the UK rate of 19% (2021: 19%)	30,337	10,574
Tax effect of amounts which are non-deductible	(29,330)	(12,840)
Differences in overseas tax rates	(975)	581
Adjustment for current taxes of prior years	–	620
<b>Income tax credit / (expense) in profit or loss</b>	<b>32</b>	<b>(1,065)</b>

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries. The applicable tax rate in the respective countries ranges from 0% to 35%. The effective tax rate for the year deviates from the applicable tax rate mainly because of non-deductible items, amortisation, accelerated capital allowances over depreciation on plant, property and equipment and differences in overseas tax rate.

### 9. Earnings per share

	2022	2021
Loss attributable to shareowners of the Company (£'000)	(159,634)	(56,715)
Weighted average number of Ordinary Shares	590,667,949	551,752,618
<b>Basic loss per share (pence)</b>	<b>(27.0)</b>	<b>(10.3)</b>

Earnings per share is calculated by dividing the loss attributable to the shareowners of the S<sup>4</sup>Capital Group by the weighted average number of Ordinary Shares in issue during the year.

	2022	2021
Loss attributable to shareowners of the Company (£'000)	(159,634)	(56,715)
Weighted average number of Ordinary Shares	590,667,949	551,752,618
<b>Diluted loss per share (pence)</b>	<b>(27.0)</b>	<b>(10.3)</b>

Diluted loss per share is calculated by dividing the loss attributable to the shareowners of the S<sup>4</sup>Capital Group by the weighted average number of Ordinary Shares in issue including effect of dilutive potential Ordinary Shares during the year.

There are A1/A2 incentive shares that would be potentially dilutive if the Company were to recognise a profit attributable to shareowners in the future and if the growth target (as detailed on page 110) is met. Further details of these shares can be found in Note 23.

## 10. Goodwill

Net book value	2022 £'000	2021 <sup>1</sup> £'000
At 1 January	624,989	498,113
Acquired through business combinations	53,380	135,338
Impairments	(15,165)	–
Foreign exchange differences	57,161	(8,462)
<b>At 31 December</b>	<b>720,365</b>	<b>624,989</b>

**Note:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

During the year an amount of £53.4 million has been acquired through business combinations. See Note 4.

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

### Goodwill – impairment testing

Goodwill acquired through business combinations is allocated to CGUs for the purpose of the impairment test.

The goodwill balance is allocated to the following CGUs:

	2022 £'000	2021 <sup>1</sup> £'000
Content	393,252	372,305
Data&Digital Media	241,014	210,347
Technology Services	86,099	42,337
<b>Total</b>	<b>720,365</b>	<b>624,989</b>

**Note:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

The recoverable amount for each CGU is determined using a value-in-use calculation. In determining the value in use, the Group uses forecasted revenue and profits adjusted for non-cash transactions to generate cash flow projections. The forecasts are prepared by management based on Board approved business plans for each CGU which reflect result expectations, including the impact of inflation, cash performance and historic trends.

An underlying revenue growth rate of 14.5% to 57.6% (2021: 21% to 45%) per annum depending on the practice in years one to three have been used accordingly. Beyond the explicit three year forecast period, a two year transition period bridging the revenue growth to the assessed long term growth rate has been used. Following the fourth year, a long term growth rate has been applied in perpetuity. A terminal value has been applied using an underlying long term growth rate of 2.0% (2021: 2.0%). The cash flows have been discounted to present value using a pre-tax discount rate which was between 11.2% and 11.9% (2021: 9.4% and 9.8%) depending on the CGU. The value-in-use exceeds the carrying amount of the CGUs by two to three times.

Sensitivity analysis has been carried out by adjusting the respective CGU discount rates and growth rates. Based on the Group's sensitivity analysis, no indications of impairment have been identified. In carrying out the impairment review, management believes that there are no CGUs where reasonably possible changes to the underlying assumptions exist that would give rise to an impairment.

During the end of the reporting period, the Group assessed there to be an indicator of impairment in relation to the goodwill, customer relationships and brand names relating to 4 Mile. The indicator of impairment was as a result of the actual performance of 4 Mile being significantly lower than forecasted. As a result of the impairment review, the Group recognised an impairment of goodwill of £15.2 million for 4 Mile. 4 Mile is part of the DDM segment but the business has not yet been integrated and is monitored separately by the Group. The intangible assets relating to customer relationships, brand names and other intangible assets were also impaired by £6.1 million, £0.3 million and £0.3 million respectively to the value in use recoverable amount. The impairment of goodwill and intangible assets has been recognised within the consolidated statement of profit or loss within depreciation, amortisation and impairment.

# Notes to the consolidated financial statements

## continued

### 11. Intangible assets

	Customer relationships £'000	Brands £'000	Order Backlog £'000	Other £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	307,120	18,557	11,794	11,207	348,678
Acquired through business combinations	86,552	2,804	3,547	829	93,732
Additions	–	–	–	3,458	3,458
Disposals	–	–	–	(117)	(117)
Foreign exchange differences	(4,632)	(478)	(354)	(174)	(5,638)
<b>At 31 December 2021<sup>1</sup></b>	<b>389,040</b>	<b>20,883</b>	<b>14,987</b>	<b>15,203</b>	<b>440,113</b>
Acquired through business combinations	104,229	3,237	7,846	325	115,637
Additions	–	–	–	1,512	1,512
Disposals	–	–	(22,915)	–	(22,915)
Foreign exchange differences	38,534	1,960	614	1,381	42,489
<b>At 31 December 2022</b>	<b>531,803</b>	<b>26,080</b>	<b>532</b>	<b>18,421</b>	<b>576,836</b>
<b>Accumulated amortisation and impairment</b>					
At 1 January 2021	(32,243)	(3,121)	(7,604)	(2,757)	(45,725)
Charge for the year	(26,762)	(3,312)	(6,380)	(3,037)	(39,491)
Foreign exchange differences	842	47	326	177	1,392
<b>At 31 December 2021<sup>1</sup></b>	<b>(58,163)</b>	<b>(6,386)</b>	<b>(13,658)</b>	<b>(5,617)</b>	<b>(83,824)</b>
Charge for the year	(38,542)	(5,554)	(9,184)	(3,731)	(57,011)
Impairment	(6,103)	(277)	–	(304)	(6,684)
Disposals	–	–	22,915	–	22,915
Foreign exchange differences	(5,394)	(622)	(441)	(614)	(7,071)
<b>At 31 December 2022</b>	<b>(108,202)</b>	<b>(12,839)</b>	<b>(368)</b>	<b>(10,266)</b>	<b>(131,675)</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>330,877</b>	<b>14,497</b>	<b>1,329</b>	<b>9,586</b>	<b>356,289</b>
<b>At 31 December 2022</b>	<b>423,601</b>	<b>13,241</b>	<b>164</b>	<b>8,155</b>	<b>445,161</b>

The impairment of customer relationships, brands and other intangibles relates to 4 Mile. See Note 10.

**Note:**

1. The comparatives as at 31 December 2021 have been re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.



## 12. Leases

	2022 £'000	2021 £'000
<b>Right-of-use assets</b>		
<b>Balance at 1 January</b>	<b>36,608</b>	26,830
Acquired through business combinations	709	6,022
Additions	29,926	15,487
Impairments	(463)	–
Disposals and modifications	663	(286)
Depreciation of right-of-use assets	(16,313)	(10,786)
Hyperinflation	2,535	–
Exchange rate differences	2,038	(659)
<b>Balance at 31 December</b>	<b>55,703</b>	<b>36,608</b>
<b>Lease liabilities</b>		
<b>Balance at 1 January</b>	<b>(41,968)</b>	(28,960)
Acquired through business combinations	(709)	(6,354)
Additions	(26,946)	(15,953)
Disposals and modifications	(663)	74
Payment of lease liabilities	17,534	10,903
Charge to the income statement	(2,146)	(1,602)
Exchange rate differences	(3,498)	(76)
<b>Balance at 31 December</b>	<b>(58,396)</b>	<b>(41,968)</b>
Non-current lease liabilities	(43,122)	(31,423)
Current lease liabilities	(15,274)	(10,545)
<b>Balance at 31 December</b>	<b>(58,396)</b>	<b>(41,968)</b>

The right-of-use assets and lease liabilities primarily relate to offices.

# Notes to the consolidated financial statements

## continued

### 13. Property, plant and equipment

	Leasehold improvements £'000	Furniture and fixtures £'000	Office equipment £'000	Other assets £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	9,507	2,530	12,814	211	25,062
Acquired through business combinations	452	547	1,145	683	2,827
Additions	2,027	310	7,965	817	11,119
Reclassification	305	307	832	73	1,517
Hyperinflation	155	47	294	17	513
Disposals	(421)	(150)	(227)	(403)	(1,201)
Foreign exchange differences	(442)	(95)	(857)	(89)	(1,483)
<b>At 31 December 2021</b>	<b>11,583</b>	<b>3,496</b>	<b>21,966</b>	<b>1,309</b>	<b>38,354</b>
Acquired through business combinations	110	76	797	–	983
Additions	5,885	1,104	8,687	703	16,379
Hyperinflation	1,217	172	2,115	238	3,742
Disposals	(65)	(136)	(688)	(140)	(1,029)
Foreign exchange differences	(502)	152	327	(267)	(290)
<b>At 31 December 2022</b>	<b>18,228</b>	<b>4,864</b>	<b>33,204</b>	<b>1,843</b>	<b>58,139</b>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2021	(2,144)	(1,149)	(7,074)	(158)	(10,525)
Charge for the year	(1,509)	(482)	(3,894)	(294)	(6,179)
Reclassification	(305)	(307)	(832)	(73)	(1,517)
Hyperinflation	(46)	(24)	(151)	(4)	(225)
Disposals	421	104	165	272	962
Foreign exchange differences	130	64	431	53	678
<b>At 31 December 2021</b>	<b>(3,453)</b>	<b>(1,794)</b>	<b>(11,355)</b>	<b>(204)</b>	<b>(16,806)</b>
Charge for the year	(2,365)	(664)	(6,748)	(299)	(10,076)
Hyperinflation	(372)	(54)	(1,197)	(51)	(1,674)
Disposals	65	136	688	140	1,029
Foreign exchange differences	(166)	(155)	(605)	15	(911)
<b>At 31 December 2022</b>	<b>(6,291)</b>	<b>(2,531)</b>	<b>(19,217)</b>	<b>(399)</b>	<b>(28,438)</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>8,130</b>	<b>1,702</b>	<b>10,611</b>	<b>1,105</b>	<b>21,548</b>
<b>At 31 December 2022</b>	<b>11,937</b>	<b>2,333</b>	<b>13,987</b>	<b>1,444</b>	<b>29,701</b>

S<sup>4</sup>Capital Group has pledged the assets of its companies as security for a facility agreement.

## 14. Interest in joint ventures

The Group, through its subsidiary S<sup>4</sup>Capital 2 Ltd a directly owned subsidiary, together with Stanhope Capital LLP (Stanhope LLP), through its subsidiary Portman Square General Partner S.à r.l. (Stanhope), subscribed for the initial €6,000 of shares each to incorporate S4S Ventures General Partner S.à r.l. (GP), a Luxembourg company. The GP also controls S4S Ventures General Partner LLC. The GP has since established two S4S Ventures funds established in Luxembourg and the US.

The Group has a 50% interest in the GP, a joint venture whose primary activity is to invest in technology companies focused on the marketing and advertising industries, to focus on early-stage technology investments with the ability to transform the sector. S4S aims to invest in companies across five principal areas: Martech, Adtech, Data Technology, Creative Technology, and Emerging Digital Media/Content. The Group's interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised balance sheet:

	2022 £'000
Non-current assets	1
Current assets <sup>1</sup>	272
Current liabilities	(391)
<b>Net liabilities</b>	<b>(118)</b>
<b>Group's share of net liabilities – 50%</b>	<b>(59)</b>
<b>Group's carrying amount of the investment</b>	<b>(59)</b>

Note:

1. Includes cash and cash equivalents held by the joint venture of £171k.

Summarised statement of profit or loss:

	2022 £'000
Revenue	709
Operating expense	(836)
Loss for the year	(127)
Other comprehensive expense	–
<b>Total comprehensive expense</b>	<b>(127)</b>

Group's share of joint venture loss:

	2022 £'000
Revenue	354
Operating expense	(418)
Loss for the year	(64)
Other comprehensive expense	–
Total comprehensive expense	(64)
Less: loss restricted to carrying value of investment <sup>1</sup>	59
<b>Group's share of joint venture loss</b>	<b>(5)</b>

Note:

1. The Group has not recognised losses totalling £59k (2021: £nil) in relation to its interests in S4S Ventures, because the Group has no obligation in respect of these losses.

The joint venture had no other contingent liabilities or commitments as at 31 December 2022.

# Notes to the consolidated financial statements

## continued

### 15. Deferred tax assets and liabilities

	Intangible assets £'000	Property plant and equipment £'000	Short term differences £'000	Total £'000
<b>Deferred tax assets</b>				
<b>At 1 January 2021</b>	–	–	<b>2,068</b>	<b>2,068</b>
Charge for the year	–	173	4,186	4,359
Acquired through business combinations	–	143	34	177
Foreign exchange differences	–	6	(84)	(78)
<b>At 31 December 2021<sup>1</sup></b>	–	<b>322</b>	<b>6,204</b>	<b>6,526</b>
Charge for the year	<b>6,704</b>	<b>505</b>	<b>2,424</b>	<b>9,633</b>
Foreign exchange differences	<b>80</b>	<b>(82)</b>	<b>670</b>	<b>668</b>
<b>At 31 December 2022</b>	<b>6,784</b>	<b>745</b>	<b>9,298</b>	<b>16,827</b>

	Intangible assets £'000	Loans and borrowings £'000	Property plant and equipment £'000	Total £'000
<b>Deferred tax liabilities</b>				
<b>At 1 January 2021</b>	<b>(59,263)</b>	<b>(211)</b>	<b>(320)</b>	<b>(59,794)</b>
Acquired through business combinations	(16,514)	–	–	(16,514)
Investments	–	–	(31)	(31)
Credited/(charged) to profit or loss	6,941	211	(558)	6,594
Foreign exchange differences	1,125	–	(7)	1,118
<b>At 31 December 2021<sup>1</sup></b>	<b>(67,711)</b>	–	<b>(916)</b>	<b>(68,627)</b>
Reclassification	<b>(405)</b>	–	<b>405</b>	–
Credited/(charged) to profit or loss	<b>8,750</b>	–	<b>(367)</b>	<b>8,383</b>
Foreign exchange differences	<b>(5,647)</b>	–	<b>(69)</b>	<b>(5,716)</b>
<b>At 31 December 2022</b>	<b>(65,013)</b>	–	<b>(947)</b>	<b>(65,960)</b>

**Note:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

Recognition of the deferred tax assets is based upon the expected generation of future taxable profits. Our expectation is based on long-term planning. The deferred tax asset is expected to be recovered in more than one year's time and the deferred tax liability will reverse in more than one year's time as the intangible assets are amortised.

## 16. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	349,600	271,747
Prepayments	16,443	14,516
Accrued income <sup>1</sup>	44,728	36,870
Other receivables	42,236	15,550
<b>Total</b>	<b>453,007</b>	<b>338,683</b>
Included in current assets	440,799	335,498
Included in non-current assets	12,208	3,185
<b>Total</b>	<b>453,007</b>	<b>338,683</b>

**Note:**

1. The accrued income as at 31 December 2021 has been fully billed in 2022.

## 17. Cash and cash equivalents

The cash and cash equivalents in the statement of cash flows is made up as follows:

	2022 £'000	2021 £'000
Cash and bank	223,574	301,021
Bank overdrafts included under loans and borrowings	(16)	(1,899)
<b>Cash and cash equivalents</b>	<b>223,558</b>	<b>299,122</b>

## 18. Trade and other payables

	2022 £'000	2021 <sup>1</sup> £'000
Trade payables	(251,641)	(204,985)
Accruals	(102,757)	(51,353)
Deferred income <sup>2</sup>	(65,639)	(58,887)
Provisions	(2,861)	–
Sales taxes	(1,194)	(838)
Wage taxes and social security contributions	(9,972)	(10,112)
Other payables	(14,794)	(11,586)
<b>Total</b>	<b>(448,858)</b>	<b>(337,761)</b>
Included in current liabilities	(443,171)	(334,916)
Included in non-current liabilities	(5,687)	(2,845)
<b>Total</b>	<b>(448,858)</b>	<b>(337,761)</b>

**Notes:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

2. The deferred income as at 31 December 2021 has been fully recognised in the results of 2022.

# Notes to the consolidated financial statements

## continued

### 19. Loans and borrowings

Loans and borrowings	Bank loans £'000	Senior secured term loan B (TLB) £'000	Transaction costs £'000	Interest on Facilities Agreement £'000	Total £'000
<b>Balance at 1 January 2021</b>	<b>91,285</b>	<b>–</b>	<b>(844)</b>	<b>–</b>	<b>90,441</b>
Drawdowns	24,632	318,938	(8,379)	–	335,191
Acquired through business combinations	2,760	–	–	–	2,760
Loans Waived	(1,592)	–	–	–	(1,592)
Repayments	(110,895)	–	–	(5,530)	(116,425)
Charged to profit-or-loss	–	–	1,283	6,169	7,452
Exchange rate differences	(2,864)	(3,833)	(21)	(15)	(6,733)
<b>Total transactions during the year</b>	<b>(87,959)</b>	<b>315,105</b>	<b>(7,117)</b>	<b>624</b>	<b>220,653</b>
<b>Balance at 31 December 2021</b>	<b>3,326</b>	<b>315,105</b>	<b>(7,961)</b>	<b>624</b>	<b>311,094</b>
Drawdowns	16	–	–	–	16
Acquired through business combinations	258	–	–	–	258
Loans Waived	(266)	–	–	–	(266)
Repayments	(2,790)	–	–	(13,543)	(16,333)
Charged to profit-or-loss	–	–	1,320	13,543	14,863
Exchange rate differences	45	17,471	(283)	34	17,267
<b>Total transactions during the year</b>	<b>(2,737)</b>	<b>17,471</b>	<b>1,037</b>	<b>34</b>	<b>15,805</b>
<b>Balance at 31 December 2022</b>	<b>589</b>	<b>332,576</b>	<b>(6,924)</b>	<b>658</b>	<b>326,899</b>
Included in current liabilities	16	–	–	658	674
Included in non-current liabilities	573	332,576	(6,924)	–	326,225

#### A. Facility agreement

S<sup>4</sup>Capital Group has a facility agreement, consisting of a Term Loan B (TLB) of EUR 375 million and a multicurrency Revolving Credit Facility (RCF) of £100 million. During 2022, the RCF remained fully undrawn. The interest on the facilities is the aggregate of the variable interest rate (EURIBOR, LIBOR or, in relation to any loan in GBP, SONIA) and a margin based on leverage (between 2.25% and 3.75%). The duration of the facility agreement is seven years in relation to the TLB, therefore the termination date is August 2028, and five years in relation to the RCF, therefore the termination date is August 2026.

During the reporting period, the average interest rate of the outstanding loans amounted to 4.76% (2021: 2.96%). The average effective interest rate for the outstanding loans is 4.06% (2021: 2.93%) and during the period interest expense of £13.5 million was recognised (2021: £6.2 million).

The facility agreement imposes certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S<sup>4</sup>Capital Group will not provide any other security over its assets and receivables and will ensure that the net debt will not exceed 4.50:1 of the pro-forma earnings before interest, tax, depreciation, and amortisation, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year. During the year S<sup>4</sup>Capital Group complied with the covenants set in the loan agreement.

## 20. Financial instruments

The Board of Directors of S<sup>4</sup>Capital plc has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. S<sup>4</sup>Capital Group reports in Pound Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board. S<sup>4</sup>Capital Group does not issue or use financial instruments of a speculative nature.

S<sup>4</sup>Capital Group is exposed to the following financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk.

The Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade and other receivables, cash and cash equivalents, accrued income, trade and other payables, loans and borrowings, contingent consideration and lease liabilities.

Fair values of the Group's financial assets and liabilities are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

To the extent financial instruments are not carried at fair value in the consolidated balance sheet, the carrying amount approximates to fair value as of the financial year end due to the short-term nature.

### Financial instruments by category

	2022 £'000	2021 £'000
<b>Financial assets</b>		
<b>Financial assets held at amortised cost</b>		
Cash and cash equivalents	223,574	301,021
Trade receivables	349,600	271,747
Accrued income	44,728	36,870
Other receivables	42,236	12,365
<b>Total</b>	<b>660,138</b>	<b>622,003</b>
<b>Financial liabilities</b>		
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	(369,192)	(265,079)
Loans and borrowings	(326,899)	(311,094)
Lease liabilities	(58,396)	(41,968)
<b>Financial liabilities held at fair value through profit and loss</b>		
Contingent consideration and holdbacks	(188,607)	(118,426)
<b>Total</b>	<b>(943,094)</b>	<b>(736,567)</b>

#### Note:

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.



# Notes to the consolidated financial statements

## continued

### 20. Financial instruments continued

The following table categorises the Group's financial liabilities held at fair value on the consolidated balance sheet. There have been no transfers between levels during the year.

	2022 Fair value £'000	2022 Level 3 £'000	2021 Fair value Restated <sup>1</sup> £'000	2021 Level 3 Restated <sup>1</sup> £'000
<b>Financial liabilities held at fair value</b>				
Contingent consideration and holdbacks	188,607	188,607	118,426	118,426
<b>Total</b>	<b>188,607</b>	<b>188,607</b>	<b>118,426</b>	<b>118,426</b>

**Note:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations. See Note 2.

The following table shows the movement in contingent consideration and holdbacks.

	Performance linked contingent consideration £'000	Employment linked contingent consideration £'000	Holdbacks £'000	Total £'000
<b>Contingent consideration and holdbacks</b>				
<b>Balance at 1 January 2021</b>	<b>57,885</b>	<b>1,732</b>	<b>10,306</b>	<b>69,923</b>
Acquired through business combinations	45,968	–	12,145	58,113
Recognised in consolidated statement of profit and loss	–	72,250	–	72,250
Cash paid	(19,281)	(9,985)	(5,958)	(35,224)
Equity settlement	(41,527)	(5,718)	–	(47,245)
Exchange rate differences	(80)	383	306	609
<b>Balance at 31 December 2021<sup>1,3</sup></b>	<b>42,965</b>	<b>58,662</b>	<b>16,799</b>	<b>118,426</b>
Acquired through business combinations	12,450	–	14,232	26,682
Recognised in consolidated statement of profit and loss <sup>2</sup>	(13,067)	155,599	1,581	144,113
Cash paid	(16,949)	(38,936)	(9,437)	(65,322)
Equity settlement	(19,126)	(35,449)	–	(54,575)
Exchange rate differences	4,677	11,818	2,788	19,283
<b>Balance at 31 December 2022</b>	<b>10,950</b>	<b>151,694</b>	<b>25,963</b>	<b>188,607</b>
Included in current liabilities	40,744	40,866	5,067	86,677
Included in non-current liabilities	2,221	17,796	11,732	31,749
<b>Balance at 31 December 2021</b>	<b>42,965</b>	<b>58,662</b>	<b>16,799</b>	<b>118,426</b>
Included in current liabilities	10,950	151,694	14,685	177,329
Included in non-current liabilities	–	–	11,278	11,278
<b>Balance at 31 December 2022</b>	<b>10,950</b>	<b>151,694</b>	<b>25,963</b>	<b>188,607</b>

**Notes:**

1. The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations. See Note 2.
2. Includes a charge of £172.4 million relating to employment linked contingent consideration and holdback deemed remuneration, a credit of £29.8 million relating to a fair value gain and a charge of £1.5 million relating to the impact of discounting.
3. In the prior year we referred to the employment linked contingent consideration as £67.9 million, however, this should have been £58.7 million as reflected in the table above.

Where the contingent consideration conditions have been satisfied, the Group recognises deferred equity consideration, which is included within Other Reserves. See Note 21.

The fair value of the performance linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed and recognised at the acquisition date, and reassessed at each balance sheet date thereafter, until fully settled, cancelled or expired. Any change in the range of future outcomes is recognised in the consolidated statement of profit or loss as a fair value gain or loss. The impact of discounting on the performance linked contingent consideration is £1.5 million for the year (2021: £nil). During the year ended 31 December 2022, a fair value gain of £14.6 million (2021: £nil) was recognised in the consolidated statement of profit or loss.

The fair value of the employment linked contingent consideration has been determined based on management's best estimate of achieving future targets to which the consideration is linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired business. The fair value is assessed at the acquisition date, and systematically accrued over the respective employment term. Any changes in the range of future outcomes are recognised in the consolidated statement of profit or loss as a fair value gain or loss. During the year ended 31 December 2022, £155.6 million (2021: £72.3 million) was recognised in the consolidated statement of profit or loss. The £155.6 million (2021: £72.3m) comprised a charge of £170.8 million (2021: £72.3 million) relating to the systematic accrual of the employment linked contingent consideration and a fair value gain of £15.2m (2021: £nil).

Holdbacks relate to amounts held by the Group to cover and indemnify the Group against certain acquisition costs and any damages. The fair value of the holdbacks has been determined based on management's best estimate of the level of the costs incurred and any damages expected to which the holdback is linked, which is the most significant unobservable input used in the fair value measurement. During the year ended 31 December 2022, a charge of £1.6 million (2021: £nil) has been recognised in the consolidated statement of profit or loss, which related to holdbacks liabilities linked to employment. No further amounts are to be charged to the consolidated statement of profit or loss.

## **A. Market risk**

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

### **Interest rate risk**

S<sup>4</sup>Capital Group is exposed to cash flow interest rate risk from bank borrowings at variable rates. S<sup>4</sup>Capital Group's bank loans and other borrowings are disclosed in Note 19. S<sup>4</sup>Capital Group manages the interest rate risk centrally.

The Group's treasury function reviews its risk management strategy on a regular basis and will, as appropriate, enter into derivative financial instruments in order to managing interest rate risk.

The following table demonstrates the sensitivity to a 1% change (lower/higher) to the interest rates of the loans and borrowings as of year end to the loss in the current year before tax (increase/decrease) and net assets (increase/decrease) for the year if all other variables are held constant:

	2022 £'000	2021 £'000
Bank loans	333,165	319,055
<b>+/- 1% impact</b>	<b>3,332</b>	<b>3,191</b>

The contractual repricing or maturity dates, whichever dates are earlier, and effective interest rates of borrowings are disclosed in Note 19.

### **Foreign exchange risk**

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business.

Management estimate that for a 1 cent change in the exchange rate between USD and GBP, net revenue will change by approximately £5-6 million, and operational EBITDA will change by approximately £1-2 million.

S<sup>4</sup>Capital Group manages this risk through natural hedging. The effect of fluctuations in exchange rates on the USD, EUR and other currencies denominated trade receivables and payables is partially offset.

The Group considers the need to hedge its exposure as appropriate and, if needed, will enter into forward foreign exchange contracts to mitigate any significant risks.

# Notes to the consolidated financial statements

## continued

### 20. Financial instruments continued

#### A. Market risk continued

The S<sup>4</sup>Capital Group's gross exposure to foreign exchange risk is as follows:

At 31 December 2022	GBP £'000	USD £'000	EUR £'000	Other currencies £'000	Total £'000
Trade receivables	15,749	226,274	41,203	66,374	349,600
Cash and cash equivalents	7,660	140,385	24,293	51,236	223,574
Trade payables	(9,998)	(174,464)	(27,554)	(39,625)	(251,641)
Loans and borrowings	(14)	–	(333,809)	–	(333,823)
<b>Financial assets/(liabilities)</b>	<b>13,397</b>	<b>192,195</b>	<b>(295,867)</b>	<b>77,985</b>	<b>(12,290)</b>
<b>+/- 10% impact</b>	<b>–</b>	<b>19,220</b>	<b>(29,587)</b>	<b>7,799</b>	<b>(2,568)</b>

At 31 December 2021	GBP £'000	USD £'000	EUR £'000	Other currencies £'000	Total £'000
Trade receivables	10,070	174,799	36,466	50,412	271,747
Cash and cash equivalents	105,966	134,743	31,163	29,149	301,021
Trade payables	(9,369)	(137,522)	(24,101)	(33,993)	(204,985)
Loans and borrowings	–	(127)	(318,898)	(30)	(319,055)
<b>Financial assets / (liabilities)</b>	<b>106,667</b>	<b>171,893</b>	<b>(275,370)</b>	<b>45,538</b>	<b>48,728</b>
<b>+/- 10% impact</b>	<b>–</b>	<b>17,189</b>	<b>(27,537)</b>	<b>4,554</b>	<b>(5,794)</b>

#### B. Credit risk

Credit risk is the risk of financial loss to S<sup>4</sup>Capital Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. S<sup>4</sup>Capital Group is exposed to credit risk primarily attributable to its receivable balance from customers. The Group's net trade receivables for the reported periods are disclosed in the financial assets table above.

S<sup>4</sup>Capital Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms. In order to minimise this credit risk, S<sup>4</sup>Capital Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount. S<sup>4</sup>Capital Group evaluates the collectability of its accounts receivable and provides an allowance for expected credit losses based upon the ageing of receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance for other receivables is based on the three stage expected credit loss model. No other receivables have had material impairment.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current- and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance for trade receivables is determined as follows:

Trade receivables	Expected Credit Loss Rate	Gross trade receivables £'000	Impairment provision £'000	Net trade receivables £'000
Not passed due	0.20-0.25%	281,721	(629)	281,092
Past due 1 day to 30 days	0.40-0.50%	48,961	(229)	48,732
Past due 31 days to 60 days	0.60-1.00%	9,565	(75)	9,490
Past due 61 days to 90 days	0.80-2.00%	5,710	(83)	5,627
Past due more than 90 days	1.00-7.50%	4,942	(283)	4,659
Individual debtors in default	up to 100%	4,495	(4,495)	–
<b>Balance at 31 December 2022</b>		<b>355,394</b>	<b>(5,794)</b>	<b>349,600</b>

Trade receivables	Expected Credit Loss Rate	Gross trade receivables £'000	Impairment provision £'000	Net trade receivables £'000
Not passed due	0.20-0.25%	211,214	(479)	210,735
Past due 1 day to 30 days	0.40-0.50%	45,117	(212)	44,905
Past due 31 days to 60 days	0.60-1.00%	9,994	(81)	9,913
Past due 61 days to 90 days	0.80-2.00%	3,525	(45)	3,480
Past due more than 90 days	1.00-7.50%	2,966	(252)	2,714
Individual debtors in default	up to 100%	4,251	(4,251)	–
<b>Balance at 31 December 2021</b>		<b>277,067</b>	<b>(5,320)</b>	<b>271,747</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with S4Capital Group. The changes in the loss allowance for trade receivables is as follows:

	2022 £'000	2021 £'000
<b>Balance at the beginning of the year</b>	<b>5,320</b>	3,362
Business combinations	1,984	399
Utilised during the period	(2,440)	(238)
Charge for the year	930	1,797
<b>Balance at the end of the year</b>	<b>5,794</b>	<b>5,320</b>

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

The Group has pledged the assets of its material companies as security for a facility agreement. See Note 19 for further information.

# Notes to the consolidated financial statements

## continued

### 20. Financial instruments continued

#### B. Credit risk continued

Credit risk on cash and cash equivalents is considered to be small as the external counterparties are all substantial banks with high credit ratings assigned by international credit rating agencies and are managed through regular review. As per the end of the reporting period, credit ratings are summarised in the table below:

	2022 £'000	2021 £'000
Aa 1	855	981
Aa 2	112,440	87,164
Aa 3	10,678	26,356
A 1	46,135	161,853
A 2	5,440	4,440
A 3	3,052	520
Baa1	1,494	198
Baa 2	14,217	12,017
Baa 3	16,532	713
Ba 2	7,971	3,077
B 2	–	334
No credit rating	4,760	3,368
<b>Total cash and cash equivalents</b>	<b>223,574</b>	<b>301,021</b>

The maximum exposure is the amount of the deposit. To date, S<sup>4</sup>Capital Group has not experienced any losses on its cash and cash equivalent deposits.

#### C. Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that S<sup>4</sup>Capital Group will encounter difficulty in meeting its financial obligations as they fall due. The Group monitors its liquidity risk using a cash flow projection model which considers the maturity of the Group's assets and liabilities and the projected cash flows from operations. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The table below analyses the Group's financial liabilities by contractual maturities and all amounts disclosed in the table are the undiscounted contractual cash flows:

At 31 December 2022	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Trade payables	251,641	–	–	–
Lease liabilities	17,476	14,540	26,555	5,558
Contingent consideration and holdbacks	177,329	5,457	5,821	–
Loans and borrowings	16	–	573	332,576
Interest payments	13,543	13,543	40,629	8,238
<b>Total</b>	<b>460,005</b>	<b>33,540</b>	<b>73,578</b>	<b>346,372</b>

At 31 December 2021	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Trade payables <sup>1</sup>	204,985	–	–	–
Lease liabilities	10,545	6,378	17,824	7,221
Contingent consideration and holdbacks <sup>1</sup>	86,677	31,749	–	–
Loans and borrowings	1,899	–	1,427	315,105
Interest payments	12,441	11,817	35,452	19,695
<b>Total</b>	<b>316,547</b>	<b>49,944</b>	<b>54,703</b>	<b>342,021</b>

**Note:**

- The comparatives as at 31 December 2021 have been restated for measurement period adjustments in respect of business combinations and re-presented for consistency with the presentation for the year ended 31 December 2022. See Note 2.

## D. Capital management

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareowners and benefits for other stakeholders; and
- to provide an adequate return to shareowners by pricing products and services commensurately with the level of risk.

The risks to safeguard the ability to continue as a going concern and to provide an adequate return to our shareowners are reviewed and discussed regularly by the Board in order to meet our objectives.

As per the end of the reporting period, the Group's net cash position is made up as follows:

	2022 £'000	2021 £'000
Loans and borrowings	(333,823)	(319,055)
Cash and bank	223,574	301,021
<b>Total</b>	<b>(110,249)</b>	<b>(18,034)</b>

Changes in loans and borrowings, during the reporting period, arose due to the drawdowns and repayments of loans and the bank overdrafts. See Note 19 for more details.

The Group's capital as at the end of the reporting period is disclosed on page 137.

The capital structure of S<sup>4</sup>Capital Group consists of shareowners' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings. The Group is not subject to externally imposed regulatory capital requirements.

## 21. Equity

### A. Share capital and share premium

The authorised share capital of S<sup>4</sup>Capital plc contains an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. At the end of the reporting period, the issued and paid up share capital of S<sup>4</sup>Capital plc consisted of 567,832,883 (2021: 555,307,572) Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

On 28 September 2018 S<sup>4</sup>Capital issued 1 B share at a price of 100 pence per share to Sir Martin Sorrell. See the Governance Report on page 85 for details.

The share premium is net of costs directly relating to the issuance of shares. In accordance with Section 612 of the Companies Act 2006, merger relief has been applied on share for share exchanges. No share issuances in the current or prior period qualified for merger relief.

Amount subscribed for share capital in excess of nominal value less transaction costs.

During the year ended 31 December 2022, £3.1 million and £21.7 million has been credited to share capital and share premium in relation to the deferred equity consideration which have been issued during the period. The amounts credited to share capital and share premium comprise of Zemoga (£0.9 million and £6.9m respectively), Staud (£0.8 million and £4.4 million respectively), Dare.Win (£0.4 million and £2.6 million respectively), Miyagi (£0.3 million and £1.4 million respectively), Jam3 (£0.3 million and £3.0 million respectively), Destined (£0.2 million and £1.9 million respectively), WhiteBalance (£0.1 million and £0.6 million respectively) and Orca (£0.1 million and £0.9 million respectively).

During the year ended 31 December 2021, £3.3 million and £82.7 million was credited to share capital and share premium in relation to both initial equity consideration and deferred equity consideration, which was issued during the prior period. The amounts credited to share capital and share premium comprise of Jam3 (£0.9 million and £20.4 million respectively), Cashmere (£0.4 million and £15.5 million respectively), Zemoga (£0.4 million and £12.1 million respectively), Brightblue (£0.3 million and £8.0 million respectively), WhiteBalance (£0.2 million and £4.1 million respectively), IMAgency (£0.2 million and £3.6 million respectively), Staud (£0.2 million and £3.2 million respectively), Digodat (£0.2 million and £3.8 million respectively), Tomorrow (£0.1 million and £2.6 million respectively), Destined (£0.1 million and £1.3 million respectively), Orca (£0.1 million and £4.3 million respectively), Miyagi (£0.1 million and £0.6 million respectively) and Maverick (£0.1 million and £3.2 million respectively).

# Notes to the consolidated financial statements

## continued

### 21. Equity continued

#### B. Reserves

The following describes the nature and purpose of each reserve within equity:

Merger reserves by merger relief	Amount subscribed for share capital in excess of nominal value less transaction costs as required by merger relief. Further details are in section D below.
Other reserves	Other reserves include treasury shares issued in the name of S <sup>4</sup> Capital plc to an employee benefit trust, EBT pool C and MightyHive. Included within other reserves is the deferred equity consideration relating to the initial deferred equity consideration and deferred equity consideration following the achievement of contingent consideration criteria.
Foreign exchange reserves	Legal reserve for foreign exchange translation gains and losses on the translation of the financial statements of a subsidiary from the functional to the presentation currency.
Accumulated losses	Accumulated losses represents the net loss for the year and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

The following table shows the amount of deferred equity consideration, and number of shares, held in other reserves by acquisition.

	2022 £'000	2022 shares	2021 £'000	2021 shares
TheoremOne	55,016	19,242,228	–	–
Decoded	47,920	9,311,922	47,920	9,311,922
Raccoon	43,037	13,937,669	16,834	3,065,132
XX Artists	7,786	3,397,106	–	–
Cashmere	6,878	827,710	6,878	827,710
Zemoga	8,721	2,319,841	5,361	690,242
4 Mile	2,264	427,206	–	–
Destined	222	66,921	–	–
<b>Total</b>	<b>171,844</b>	<b>49,530,603</b>	<b>76,993</b>	<b>13,895,006</b>

#### C. Non-controlling interest

On 24 May 2018, non-controlling interests arose as a result of the issuance of 4,000 A2 incentive shares by S<sup>4</sup>Capital 2 Ltd subscribed at fair value for £0.1 million and paid in full.

The incentive shares provide a financial reward to executives of S<sup>4</sup>Capital Group for delivering shareowner value, conditional on achieving a preferred rate of return. The incentive shares entitle the holders, subject to certain performance conditions and leaver provisions, up to 15%, of the growth in value of S<sup>4</sup>Capital 2 Ltd provided that certain performance conditions have been met. Further details are within the Remuneration Report on page 110.

#### D. Share capital and merger reserve realisation

On 13 September 2022, the Group undertook a reduction of capital to effect the cancellation of: (i) the C ordinary shares resulting from the capitalisation of the sum of £205,717,000 standing to the credit of the Company's merger reserve and; (ii) the entire amount standing to the credit of the Company's share premium account (the Capital Reduction) at that date, in order to create distributable reserves.

The Capital Reduction was approved by shareowners at the Company's Annual General Meeting held on 16 June 2022. As announced on 13 September 2022, the Capital Reduction was approved by the High Court of Justice of England and Wales on 13 September 2022 and was registered by the Registrar of Companies on 21 September 2022. This will provide the Group with the flexibility to make future purchases of its own shares and/or to make future ordinary course dividends although, at this time, the Board confirms that it has no current plans to do so. The Board continues to review the advisability of declaring a modest dividend in future.



## 22. Dividends

For both the current and prior year, no dividends were paid or proposed by S<sup>4</sup>Capital plc to its shareowners.

## 23. Share-based payments

As at 31 December 2022, a total number of 7,383,204 (31 December 2021: 9,897,066) shares are held by the Equity Benefit Trust (EBT). The EBT will be used for future option schemes and bonus shares for employees.

Awards movement during the reporting period	Employee Share Ownership Plan '000	Restricted stock units '000	All-employee incentive plan '000	A1 incentive share options '000	Total '000
<b>Outstanding at 1 January 2021</b>	<b>10,617</b>	<b>8,142</b>	<b>802</b>	<b>2</b>	<b>19,563</b>
Granted	3,124	–	–	–	3,124
Exercised	(260)	(4,115)	(218)	–	(4,593)
Lapsed	(996)	(250)	(6)	–	(1,252)
<b>Outstanding at 31 December 2021</b>	<b>12,485</b>	<b>3,777</b>	<b>578</b>	<b>2</b>	<b>16,842</b>
Granted	6,741	–	46	–	6,787
Exercised	(718)	(1,751)	(28)	–	(2,497)
Lapsed	(3,103)	(97)	(2)	–	(3,202)
<b>Outstanding at 31 December 2022</b>	<b>15,405</b>	<b>1,929</b>	<b>594</b>	<b>2</b>	<b>17,930</b>
Exercisable at 31 December 2022					<b>4,607</b>
Within 1 year					<b>2,474</b>
1-2 years					<b>7,578</b>
2-5 years					<b>3,271</b>
<b>Outstanding at 31 December 2022</b>					<b>17,930</b>

### Employee Share Ownership Plan (ESOP) – previously known as Discretionary Share Option Plan (DSOP)

In 2021, the S<sup>4</sup>Capital Group Board approved employee option schemes for key employees of 3,124,241 options over S<sup>4</sup>Capital plc Ordinary Shares with an exercise price of between £nil and £8.04 and a maximum term of six years. During 2022 an additional 6,741,277 options have been approved by the Board with an exercise price in the range between £nil and £5.72 and a maximum term of four years. In accordance with IFRS 2, the Group recognises share-based payment charges from the date of granting the option plans until the vesting of the option plans. Vesting of the options are subject to S<sup>4</sup>Capital Group achieving year on year business performance targets and options holders achieving personnel performance targets with continued employment. During 2022, 717,870 (2021: 260,446) options were exercised with an average weighted exercise price of 7p.

During 2022 a total charge of £6.8 million (2021: £5.9 million) is recognised in relation to the ESOP and DSOP.

### Restricted Stock Units (RSUs)

In December 2018, the S<sup>4</sup>Capital Group Board approved an employee option scheme of 8,952,610 RSUs over S<sup>4</sup>Capital plc Ordinary Shares. During 2019 to 2022 no RSUs were approved. In accordance with IFRS 2, the Group recognises a share-based payment charge from grant date until vesting date in relation to this option plan. Vesting of the RSUs are subject to continued employment. During the reporting period a total of 1,750,783 shares (2021: 4,114,655) were exercised by employees with an average exercise price of nil pence.

During 2022 a total charge of £0.3 million (2021: £0.9 million) is recognised in relation to the RSU plan.

### A1 incentive share options

In 2019, the S<sup>4</sup>Capital Group Board approved 2,000 options over A1 incentive shares in S<sup>4</sup>Capital 2 Ltd to executives. In accordance with IFRS 2, the Group recognises share-based payment charges from the date of granting the option plans till the moment of vesting of the option plans. During 2022 a total charge of £7.1 million (2021: £7.1 million) is recognised in relation to the A1 incentive share options. Full disclosure of these options is contained within the Remuneration Report on page 110. These shares are potentially dilutive for the purposes of calculating diluted EPS if the Company were to recognise a profit in future years and if the growth target (as detailed on page 110) is met.

# Notes to the consolidated financial statements

## continued

### 23. Share-based payments continued

A charge of £0.4m (2021: £nil) has been taken in the year in relation to employer social security costs on share-based payment schemes.

#### Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed below. Market price on any given day is obtained from external, publicly available sources.

During 2022, 3,168,258 granted options in the DSOP and ESOP plans have an exercise price in the range between £1.51 and £5.72. The weighted average fair value of options granted in the year calculated using the Black-Scholes model was as follows:

	2022
Weighted average of fair value of options	£0.38
<b>Weighted average assumptions</b>	
Risk free rate	1.7%
Expected life (years)	4
Expected volatility	50%
Dividend yield	n/a

Expected life is the weighted average life across all shares granted. Expected volatility is sourced from external market data and represents the historical volatility of share prices of comparable company datasets over a period equivalent to the expected option life.

The options were exercised on a regular basis during the period; the average share price in 2022 was £2.75 (2021: £6.20).

The range of exercise prices of the share options outstanding as at 31 December 2022 outstanding and the weighted average remaining contractual life were as follows:

	Number of options	Exercise price	Remaining contractual life
Share options outstanding	12,339,051	£0.00	2023-2027
Share options outstanding	1,408,830	£1.42	2025
Share options outstanding	420,670	£1.51	2024-2026
Share options outstanding	577,710	£1.80	2027
Share options outstanding	48,587	£2.33	2025
Share options outstanding	2,478,300	£2.37	2023-2024
Share options outstanding	17,130	£3.60	2025-2027
Share options outstanding	39,766	£3.77	2024
Share options outstanding	32,540	£3.98	2025-2026
Share options outstanding	324,659	£4.88	2023
Share options outstanding	17,500	£5.26	2024
Share options outstanding	62,000	£5.36	2024
Share options outstanding	22,323	£5.54	2024
Share options outstanding	45,349	£5.72	2023
Share options outstanding	68,310	£6.05	2024
Share options outstanding	26,979	£8.04	2024
<b>Total share options outstanding</b>	<b>17,929,704</b>		

## 24. Cashflow and net debt reconciliation

The following table shows the items included in the cash flows from operations:

	Notes	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
<b>Loss before income tax</b>		<b>(159,666)</b>	<b>(55,650)</b>
Net finance costs	7	25,707	12,251
Depreciation, amortisation and impairment	6	105,711	56,456
Share-based payments	23	14,216	13,876
Acquisition, restructuring and other expenses	6	155,873	83,496
Contingent consideration paid	20	(38,936)	(9,985)
Share of loss in joint venture	14	5	–
(Gain)/loss on the net monetary position		(1,337)	1,344
Increase in trade and other receivables		(48,682)	(131,662)
Increase in trade and other payables		44,359	98,370
<b>Cash flows from operations</b>		<b>97,250</b>	<b>68,496</b>

The following table shows the reconciliation of net cash flow to movements in net debt:

	Borrowings and overdraft £'000	Cash £'000	Net Debt £'000	Leases £'000	Net debt including lease liabilities £'000
<b>Net debt as at 1 January 2021</b>	<b>(91,285)</b>	<b>142,052</b>	<b>50,767</b>	<b>(28,960)</b>	<b>21,807</b>
Financing cash flows	(232,099)	158,331	(73,768)	10,903	(62,865)
Acquired through business combinations	(2,760)	–	(2,760)	(6,354)	(9,114)
Lease additions	–	–	–	(15,953)	(15,953)
Foreign exchange adjustments	6,712	638	7,350	(76)	7,274
Interest expense	(6,169)	–	(6,169)	(1,602)	(7,771)
Interest payment	5,530	–	5,530	–	5,530
Other	1,016	–	1,016	74	1,090
<b>Net debt as at 31 December 2021</b>	<b>(319,055)</b>	<b>301,021</b>	<b>(18,034)</b>	<b>(41,968)</b>	<b>(60,002)</b>
Financing cash flows	891	(95,778)	(94,887)	17,534	(77,353)
Acquired through business combinations	(258)	–	(258)	(709)	(967)
Lease additions	–	–	–	(26,946)	(26,946)
Foreign exchange adjustments	(17,550)	18,331	781	(3,498)	(2,717)
Interest expense	(13,543)	–	(13,543)	(2,146)	(15,689)
Interest payment	13,543	–	13,543	–	13,543
Other	2,149	–	2,149	(663)	1,486
<b>Net debt as at 31 December 2022</b>	<b>(333,823)</b>	<b>223,574</b>	<b>(110,249)</b>	<b>(58,396)</b>	<b>(168,645)</b>

# Notes to the consolidated financial statements

## continued

### 25. Retirement benefit schemes

During the period, as part of the TheoremOne acquisition, the Group acquired a defined benefit scheme. The scheme has 31 active participants and is closed for future participants. No contributions were paid into the scheme during the year ended 31 December 2022. The scheme is expected to cease during the year ending 31 December 2023.

#### Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds.

#### Principal accounting assumptions at balance sheet date

Key assumptions used for IAS 19 valuation	2022 %
Discount rate	4.99%
Expected rate of pension adjustments	1.16%

#### Sensitivity of defined benefit obligations to key assumptions

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown below.

	Change in assumption Basis points	Increase/ (decrease) in obligations %	Increase/ (decrease) in obligations £'000
Increase in discount rate	50	(1.5%)	(36)

Amounts recognised in the consolidated statement of profit or loss are as follows:

	2022 £'000
Net interest income	1
<b>Total</b>	<b>1</b>

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2022 £'000
Actual return on plan assets, excluding interest income	(95)
Experience adjustments on plan liabilities	202
Change in asset ceiling	(108)
<b>Total</b>	<b>(1)</b>

The movement in the present value of defined benefit obligations are as follows:

	2022 £'000
At 1 January	–
Acquired through business combinations	2,453
Interest expense	27
Actuarial gains arising from experience	(202)
Movement in asset ceiling	108
<b>At 31 December</b>	<b>2,386</b>

The movement in fair values of plan assets are as follows:

	2022 £'000
At 1 January	–
Acquired through business combinations	2,453
Interest income	28
Actual return on plan assets, excluding interest income	(95)
<b>At 31 December</b>	<b>2,386</b>

The amounts included in the consolidated balance sheet are as follows:

	2022 £'000
Fair value of scheme assets	2,386
Present value of defined benefit obligations	(2,386)
<b>Total</b>	<b>–</b>

All figures above are shown before deferred tax.

Fair values of the assets held by the schemes were as follows:

	2022 £'000
Government bonds	1,318
Cash	1,068
<b>Total</b>	<b>2,386</b>

## 26. Related party transactions

Compensation for key management personnel is made up as follows:

	2022 £'000	2021 £'000
Short-term employee benefits	2,621	1,548
Share-based payments	7,394	7,144
<b>Total</b>	<b>10,015</b>	<b>8,692</b>

Details of compensation for key management personnel are disclosed on pages 105 to 106.

### Interest in S4S Ventures

The Group, through its subsidiary S<sup>4</sup>Capital 2 Ltd a directly owned subsidiary, together with Stanhope Capital LLP (Stanhope LLP), through its subsidiary Portman Square General Partner S.a r.l. (Stanhope), subscribed for the initial €6,000 of shares each to incorporate S4S Ventures General Partner S.a r.l. (GP), a Luxembourg company. The GP also controls S4S Ventures General Partner LLC. The GP has since established two S4S Ventures funds established in Luxembourg and the US. See Note 14.

S<sup>4</sup>Capital Group did not have any other related party transactions during the financial year (2021: £nil).

## 27. Contingent liabilities

### Capital commitments

Capital commitments represents capital expenditure contracted for at the end of the reporting period but not yet incurred at the period end. At 31 December 2022, S<sup>4</sup>Capital Group has no capital commitments outstanding (2021: £nil).

## 28. Events occurring after the reporting period

There were no material post balance sheet events, that require adjustment or disclosure, occurring between the reporting period and the 12 April 2023.

# Notes to the consolidated financial statements

## continued

### 29. Interest in other entities

#### Subsidiaries

The Group's subsidiaries at the end of the reporting period are set out below. Unless otherwise stated, they have share capital consisting solely of Ordinary Shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. S<sup>4</sup>Capital 2 Ltd has ordinary shares, 4,000 A2 incentive shares, 2,000 options over A1 incentive shares as disclosed in Note 21. S<sup>4</sup>Capital plc directly holds effectively 100% of the ordinary shares in S<sup>4</sup>Capital 2 Ltd. S<sup>4</sup>Capital plc indirectly holds effectively 100% of the ordinary shares in the other entities.

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
S <sup>4</sup> Capital 2 Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company
S <sup>4</sup> Capital Acquisitions 1 Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Financing company
S <sup>4</sup> Capital Acquisitions 2 Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company
S <sup>4</sup> Capital APAC Holdings Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company
S <sup>4</sup> Capital AUD Finance Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Financing company
S <sup>4</sup> Capital Australia Holdings Pty Ltd (Previously MediaMonks Australia Holding Pty Ltd)	c/- MinterEllison, Level 11, 1 Constitution Avenue Canberra, CITY ACT 2601	Australia	100	Holding company
S <sup>4</sup> Capital BRL Finance Ltd	12 St. James's Place, London, SW1A 1NX	United Kingdom	100	Financing company
S <sup>4</sup> Capital CAD Finance Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Financing company
S <sup>4</sup> Capital Canada 2 Ltd	Suite 1700, Park Place 666, Burrard Street, Vancouver, BC, V6C 2X8	Canada	100	Holding company
S <sup>4</sup> Capital EMEA Holdings B.V.	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Holding company
S <sup>4</sup> Capital EUR Finance Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Financing company
S <sup>4</sup> Capital France Holdings SAS	43-47 Avenue de la Grande Armée, 75116 Paris	France	100	Holding company
S <sup>4</sup> Capital Germany Holdings GmbH	Zielstattstraße 40 c/o BDO AG, 81379, München	Germany	100	Holding company
S <sup>4</sup> Capital Holdings Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company
S <sup>4</sup> Capital INR Finance Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Financing company
S <sup>4</sup> Capital Investment Pte Ltd	69 Neil Road, Singapore 088899	Singapore	100	Holding company
S <sup>4</sup> Capital Italy Holdings Srl	Viale Abruuzzi 94 CAP 20131 Milano	Italy	100	Holding company
S <sup>4</sup> Capital LUX Finance S.à.r.l.	20, rue Eugène Ruppert, L-2453 Luxembourg	Luxembourg	100	Financing company
S <sup>4</sup> Capital South America Holdings Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
S <sup>4</sup> Capital UK Holdings Ltd	3rd Floor, 44 Esplanade St Helier, Jersey, JE4 9WG	Jersey	100	Holding company
S <sup>4</sup> Capital US Holdings LLC	251 Little Falls Drive, Wilmington, DE 19808.	United States of America	100	Holding company
S <sup>4</sup> Korea Bidco Ltd	3F, 166, Toegye-ro, Jung-gu, Seoul,	Republic of Korea	100	Holding company
4 Mile Analytics Pty Ltd	Suite 1003, Level 10, 28 Margaret St, Sydney NSW, 2000	Australia	100	Data&Digital Media
4 Mile LLC	877 Cedar St., #150, Santa Cruz CA 95060	United States of America	100	Data&Digital Media
Bluetide, S.A.P.I DE C.V.	Avenida Lago Alberto 442 Torre A- 404 Suite 558, PO BOX: 11320, Anahuac, II Seccion, Miguel Hidalgo, Ciudad de México	Mexico	100	Content
Brightblue Consulting Ltd	The Hewett, 14 Hewett Street, London, EC2A 3NP	United Kingdom	100	Content
Brightblue Holdings Ltd	The Hewett, 14 Hewett Street, London, EC2A 3NP	United Kingdom	100	Holding company
Cashmere Agency Inc	850 New Burton Road, Suite 201, City of Dover, County of Kent, Delaware 19904	United States of America	100	Content
Circus BA S.A.	Tucumán 1, 4th. Floor, City of Buenos Aires, C1049AAA	Argentina	100	Content
Circus Colombia, S.A.S	Carrera 16 No. 97 – 46 P 8, Bogota	Colombia	100	Content
Circus LAX LLC	3500 S Dupont HWY, Dover, Kent, Delaware, 19901	United States of America	100	Holding company
Circus Marketing DF, S.A.P.I DE C.V	Calle Lago Alberto 442 Torre A- 404 Suite 607, PO BOX: 11320, Anahuac, I Seccion, Miguel Hidalgo, Ciudad de Mexico	Mexico	100	Content
Circus Marketing Europa S.L.	C/ Garcia Paredes No. 17, Interior Madrid 28010, Madrid	Spain	100	Content
Circus Network Holding, S.A.P.I. DE C.V.	Calle Lago Alberto 442 Torre A- 404 Suite 608, PO BOX: 11320, Anahuac, I Seccion, Miguel Hidalgo, Ciudad de Mexico	Mexico	100	Holding company
Circus Network Servicios De Marketing Ltda	Rua Girassol, 128, 3o andar, Vila Madalena, 05433-000, São Paulo, SP.	Brazil	100	Content
Citrusbyte, LLC (DBA TheoremOne, LLC)	21550 Oxnard St, 3rd Floor, #11 Woodland Hills, CA 91367	United States of America	100	Technology Services



# Notes to the consolidated financial statements

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### 29. Interest in other entities continued

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
Conversion Works Ltd	Unit 6 Windsor Business Centre, Vansittart Estate, Windsor, Berkshire, SL4 1SP	United Kingdom	100	Data&Digital Media
Decoded Advanced Media LLC	874, Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content
Decoded Advertising LLC	874, Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content
Decoded Advertising UK Ltd	Mercer & Hole, 21 Lombard Street, London, EC3V 9AH	United Kingdom	100	Content
Decoded Intelligence LLC	874, Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content
Decoded US Holdco Inc	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States of America	100	Holding company
Destined 4 Pty Ltd	Level 8, 32 West Street North Sydney NSW 2060	Australia	100	Data&Digital Media
Destined 5 Pte Ltd	30 Cecil Street, #19-08, Prudential Tower, Singapore (049712)	Singapore	100	Data&Digital Media
Digocloud SAS	CR 11 NO. 94 A 25 OF 201 Bogotá	Colombia	100	Data&Digital Media
Digodat SA	Tucumán 1, 4th. Floor, City of Buenos Aires C1049AAA	Argentina	100	Data&Digital Media
Digolab SPA	La Capitanía nro 80, Bloque Of Dpto 108 Las Condes, Santiago	Chile	100	Data&Digital Media
Digosoft SRL de CV	Goldsmith 40, ofna 9, Colonia Polanco, Delegación Miguel Hidalgo, Ciudad de México, CP 11550	Mexico	100	Data&Digital Media
Farzul SA	Dr. Scoseria 2671 - Punta Carretas - Montevideo	Uruguay	100	Content
Firewood Marketing Mexico S. de R.L. de C.V.	Gustavo Baz 2160, Edificio 3, piso 1, 54060 Tlalnepantla de Baz, Estado de México, México	Mexico	100	Content
Firewood Marketing Inc	850 New Burton Road Suite 201, City of Dover, County of Kent, Delaware 19904	United States of America	100	Content
Firewood Marketing Ireland Ltd	3rd Floor Ulysses House, Foley Street, Dublin 1	Ireland	100	Content
Firewood Marketing UK Ltd	12 St. James's Place, London, SW1A 1NX	United Kingdom	100	Content
Flying Nimbus SAS	Tucumán 1, 4th. Floor, City of Buenos Aires C1049AAA	Argentina	100	Data&Digital Media
Formula Partners, LLC	2140 S. Dupont Highway Camden, DE 19934	United States of America	100	Technology Services

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
Hilanders (Hong Kong) Ltd	Room 303, 3/F., Golden Gate Commercial Building, 136-138 Austin Road, Tsim Sha Tsui, Kowloon	Hong Kong	100	Content
IMAgency B.V.	Danzigerbocht 41 C, 1013AM Amsterdam	The Netherlands	100	Content
IMAgency USA Inc	8 The Green, STE B B, Dover County of Kent, DE 19901	United States of America	100	Content
Jam3 EMEA B.V.	Van Diemenstraat 180, 1013CP Amsterdam	The Netherlands	100	Content
Jam3 Holding Inc	Suite 1700, Park Place 666, Burrard Street, Vancouver, BC, V6C 2X8	Canada	100	Holding company
Jam3 of America Inc	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States of America	100	Content
Lemma Solutions LLC	2140 S. Dupont Highway Camden, DE 19934	United States of America	100	Technology Services
Lens10 Pty Ltd	Level 5, 66 King Street, Sydney NSW 2000	Australia	100	Data&Digital Media
Made.for.Digital Inc	874 Walker Road, Suite C, County of Kent, Dover, Delaware, 19904	United States of America	100	Content
Mamba Holding S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content
Maverick Digital Inc	838 Walker Road, Suite 21-2, Dover, County of Kent, 19904, Delaware.	United States of America	100	Data&Digital Media
Maverick Digital Services Pvt Ltd	25/30, Third Floor, Babaji Complex, Tilak Nagar, Delhi 110018	India	100	Data&Digital Media
Media.Monks DDM (Hilversum) B.V.	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Data&Digital Media
Media.Monks Paris SAS (previously Darewin SAS)	17 rue Martel – Paris (75010)	France	100	Content
Media.Monks Publishing B.V.	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Content
Media.Monks Taiwan Co. Ltd	27F., No.9, Songgao Rd., Xinyi Dist., Taipei City 110, (R.O.C.)	Taiwan	100	Data&Digital Media
MediaMonks Arabian Company for Media Production LLC	8884 Airport Street, 13413, Riyadh	Kingdom of Saudi Arabia	100	Content
MediaMonks Australia Pty Ltd	HWL Ebsworth Level 14, Australia Square, 264-278 George Street, Sydney Cove NSW 2000	Australia	100	Content
MediaMonks B.V.	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Content

# Notes to the consolidated financial statements

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### 29. Interest in other entities continued

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
MediaMonks Buenos Aires SRL	Tucumán 1, 4th Floor, Buenos Aires	Argentina	100	Content
MediaMonks Cape Town Pty Ltd	410 The Hills, Buchanan Square, 160 Sir Lowry Road, Woodstock 7925, Cape Town	South Africa	100	Content
MediaMonks FZ-LLC	Dubai Media City Building 9, Third floor, unit 318, Dubai, U.A.E.	United Arab Emirates	100	Content
MediaMonks Germany GmbH	Mollenbachstraße 3, 71229 Leonberg	Germany	100	Content
MediaMonks Hong Kong Ltd	11/F, Unit B, Winbase Centre 208 Queen's Road Central Sheung Wang	Hong Kong	100	Holding company
MediaMonks Inc.	874, Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content
MediaMonks Information Technology (Shanghai) Co. Ltd.	Room 603-A09, East Building 1, No.29 Jiatai Road, China (Shanghai) Pilot Free Trade Zone 201206	P.R. China	100	Content
MediaMonks Kazakhstan LLP	Building 6, Premise 1, Saryarka Avenue, Saryarka District, city of Nur-Sultan, 010000 (Z10H9E3)	Republic of Kazakhstan	100	Content
MediaMonks London Ltd	The Hewett, 14 Hewett Street, London, EC2A 3NP	United Kingdom	100	Content
MediaMonks Malaysia Sdn. Bhn.	No. 256B, Jalan Bandar 12, Taman Melawati, Wilayah Persekutuan, Kuala Lumpur, 53100	Malaysia	100	Content
MediaMonks Mexico City S. de R.L. de C.V.	Amsterdam 271 Int 203, Colonia Hipodromo, Delegación Cuauhtemoc, CP 06100 CDMX	Mexico	100	Content
MediaMonks Multimedia Holding B.V.	Oude Amersfoortseweg 125, 1212 AA Hilversum	The Netherlands	100	Holding company
MediaMonks Poland Spółka Z Ograniczoną Odpowiedzialnością	ul. SZCZYTNIKA, nr 11, lok. miejsc. WROCŁAW, kod 50-382, poczta WROCŁAW	Poland	100	Content
MediaMonks Russia LLC	125047, Moscow, VN.TER.G. Municipal District of Tverskoy, 4-TH Lesnoy Lane, D. 4, Floor 4 Rooms. I, COM. 23 Office 4107.	Russian Federation	100	Content
MediaMonks Sao Paolo Serv. De Internet para Publicidade Ltda.	Rua Fidalga, 184, Anexo 198, Pinheiros, CEP: 05432-000, São Paulo.	Brazil	100	Content
MediaMonks Seoul LLC	3F, Heungguk BLDG, 166, Toegye-ro, Jung-gu, Seoul, 04627	Republic of Korea	100	Content
MediaMonks Singapore Pte. Ltd.	9 Raffles Place #26-01 Republic Plaza, 048619	Singapore	100	Content

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
MediaMonks Stockholm AB	Norrandsgatan 18, 11143 Stockholm	Sweden	100	Content
MediaMonks Tokyo G.K.	1-6-5 Jinnan, Shibuya Ku, Tokyo 150-0041	Japan	100	Content
MediaMonks Toronto Ltd	Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8	Canada	100	Content
Metric Theory LLC	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States of America	100	Data&Digital Media
MightyHive AB	Norrandsgatan 18, 111 43 Stockholm	Sweden	100	Data&Digital Media
MightyHive AU Pty Ltd	HWL Ebsworth Level 14, Australia Square, 264-278 George Street, Sydney Cove NSW 2000	Australia	100	Data&Digital Media
MightyHive Brazil Consulting Ltda.	Rua Girassol, 106, 1 andar, CEP: 05433-000, Vila Madalena, São Paulo	Brazil	100	Data&Digital Media
MightyHive France SAS	43-47 Avenue de la Grande Armee, 75116 Paris	France	100	Data&Digital Media
MightyHive Germany GmbH	Brienner StraBe 28, 80333 Munchen	Germany	100	Data&Digital Media
MightyHive Holdings Ltd	333 Seymour Street, 8th Floor, Vancouver BC V6B 5A7, Canada	Canada	100	Data&Digital Media
MightyHive Hong Kong Ltd	47/F Central Plaza, 18 Harbour Road, Wanchhai	Hong Kong	100	Data&Digital Media
MightyHive Inc	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States of America	100	Data&Digital Media
MightyHive India Pvt Ltd	Shop No.2, Ram Niwas CHS Ltd., Ranchod Das Road, Dahisar West, Mumbai 400068, Maharashtra	India	100	Data&Digital Media
MightyHive Information Technology (Shanghai) Co. Ltd	Room 07-130, Floor 08, No. 3, Lane 26, Qixia Road, China (Shanghai) Pilot Free Trade Zone (actual floor, 7th floor)	P. R. China	100	Data&Digital Media
MightyHive K.K.	1 Chome 11-1, Nishiikebukuro, Toshima-ku, Tokyo, 171-0021	Japan	100	Data&Digital Media
MightyHive Korea Co. Ltd	3F, 166, Toegye-ro, Jung-gu, Seoul	Republic of Korea	100	Data&Digital Media
MightyHive Ltd	The Pinnacle, 160 Midsummer Boulevard, Milton Keynes MK 9 1FF	United Kingdom	100	Data&Digital Media
MightyHive NZ Ltd	William Buck (NZ) Ltd, Level 4 Zurich House, 21 Queen Street, Auckland, 1010	New Zealand	100	Data&Digital Media
MightyHive SG Ptd Ltd	61 Robinson Road, Level 16 #12-61, Singapore, 068893	Singapore	100	Data&Digital Media

# Notes to the consolidated financial statements

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### 29. Interest in other entities continued

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
MightyHive SRL	Milano (MI) ViaLe Abruzzi 94 CAP 20131	Italy	100	Data&Digital Media
Miyagi S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content
M-Monks Digital Media Pvt. Ltd.	Flat No. 402, Paras Pearl, No. 161, Greenglen Layout, Sarjapur Outer Ring Rd, Bellandur, Bangalore 0 560037, Karnataka	India	100	Content
Orca Pacific Manufacturers Representatives LLC	1100 Dexter Avenue North, Suite 200, Seattle, WA 98109-3598	United States of America	100	Data&Digital Media
Permudi Agenciamento, Treinamentos e Tecnologia Ltda.	Rua Dona Alexandrina, No. 1346, Vila Monteiro, Gleba I, City of São Carlos, State of São Paulo, 13.560-290	Brazil	100	Data&Digital Media
Progmedia Argentina SAS	Ortiz de Ocampo 3302 Building 1, 1st floor Office No. 7, City of Buenos Aires	Argentina	100	Data&Digital Media
Proof LLC	21550 Oxnard St, 3rd Floor, #11 Woodland Hills, CA 91367	United States of America	100	Technology Services
PT Media Monks Indonesia	Equity Tower Building 35-37th floor, JL. JEND. SUDIRMAN, KAV 52-53, Desa/Kelurahan Senayan, Kec. Kebayoran Baru, Kota Adm. Jakarta Selatan, Provinsi DKI Jakarta, Kode Pos: 12190	Indonesia	100	Data&Digital Media
Raccoon Publicidade Ltda.	Rua Dona Alexandrina, No. 1346, Vila Monteiro, Gleba I, City of São Carlos, State of São Paulo, 13.560-290	Brazil	100	Data&Digital Media
Rewinda SAS	5 Rue Rebeval, Appt 50, 75019 Paris	France	100	Content
Rocky Publicidade Ltda.	Av. Irene da Silva Venâncio, number 199, GP 03A, Bairro Protestantes, CEP: 18111-100	Brazil	100	Data&Digital Media
Staud Studios GmbH	Mollenbachstraße 3, 71229 Leonberg	Germany	100	Content
Superhero Cheesecake Inc.	874 Walker Road, Suite C, Dover, County of Kent, DE 19904	United States of America	100	Content
Tableau, S. DE R.L. DE C.V.	Calle Lago Alberto 442 Torre A- 404 Suite 558, PO BOX: 11320, Anahuac, I Seccion, Miguel Hidalgo, Ciudad de Mexico	Mexico	100	Content
Technical Performance Services LLC	21550 Oxnard St, 3rd Floor, #11 Woodland Hills, CA 91367	United States of America	100	Technology Services
The Monastery LLC (Previously MediaMonks Films LLC)	874, Walker Road, Suite C, Dover County of Kent, DE 19904	United States of America	100	Content

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest %	Principle activity
Toga S.r.l.	Milano (mi), Viale Papiniano 44, 20123	Italy	100	Content
Tomorrow (Shanghai) Ltd	Room 2385, No. 12, Lane 65, Huandong No.1 Road, Fengjing Town, Jinshan District, Shanghai	P.R. China	100	Content
XX Artists LLC	12130 Millennium Dr., Suite 300 Los angeles, CA 90045	United States of America	100	Content
Zemoga Inc	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States of America	100	Technology Services
Zemoga SaS	Calle 95 15-09 Bogota	Colombia	100	Technology Services
PT Mightyhive Indonesia	Gedung Revenue Lt. 23 Unit 23-122, Jl. Jenderal Sudirman Kac. 52-53, Senayan, Kebayoran Baru, Kota Adm. Jakarta Selatan, DKI Jakarta	Indonesia	100	Data&Digital Media

## Joint Ventures

Name of entity	Address of the registered office	Place of business/ Country of incorporation	Ownership interest	Principle activity
S4S Ventures General Partner S.À R.L.	412F, Route d'Esch L-1471, Luxembourg	Luxembourg	50	Holding company
S4S Ventures General Partner LLC	251 Little Falls Drive, Wilmington, DE 19808	United States of America	50	Holding company

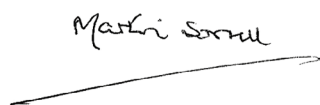
# Company balance sheet

At 31 December 2022

	Notes	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments in subsidiaries	1	1,039,533	905,008
		1,039,533	905,008
<b>Current assets</b>			
Trade and other receivables	2	6,418	3,703
Cash and cash equivalents	3	41	3,454
		6,459	7,157
<b>Total assets</b>		<b>1,045,992</b>	<b>912,165</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4	(11,362)	(3,413)
		(11,362)	(3,413)
<b>Total liabilities</b>		<b>(11,362)</b>	<b>(3,413)</b>
<b>Net assets</b>		<b>1,034,630</b>	<b>908,752</b>
<b>Equity</b>			
Share capital	5	141,958	138,827
Reserves	5	892,672	769,925
<b>Total equity</b>		<b>1,034,630</b>	<b>908,752</b>

The Company reported a net loss for the financial year ended 31 December 2022 of £8.2 million (2021: £10.8 million profit). The accompanying notes on pages 196 to 200 form an integral part of the financial statements.

The financial statements on pages 194 to 200 were approved by the Board of Directors on 13 April 2023 and signed on its behalf by



**Sir Martin Sorrell**  
Executive Chairman



**Mary Basterfield**  
Group Chief Financial Officer

Company's registered number: 10476913



# Company statement of changes in equity

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2021</b>	<b>135,516</b>	<b>364,195</b>	<b>205,717</b>	<b>29,275</b>	<b>16,313</b>	<b>751,016</b>
Profit for the year	–	–	–	–	10,835	10,835
Total comprehensive profit	–	–	–	–	10,835	10,835
<b>Transactions with owners of the Company</b>						
Business combinations	3,311	82,715	–	45,856	–	131,882
Employee share schemes	–	–	–	(110)	15,129	15,019
<b>Balance at 31 December 2021</b>	<b>138,827</b>	<b>446,910</b>	<b>205,717</b>	<b>75,021</b>	<b>42,277</b>	<b>908,752</b>
Loss for the year	–	–	–	–	(8,189)	(8,189)
Total comprehensive loss	–	–	–	–	(8,189)	(8,189)
<b>Transactions with owners of the Company</b>						
Business combinations	3,131	21,661	–	94,852	–	119,644
Capital reduction	–	(462,705)	(205,717)	–	668,422	–
Employee share schemes	–	–	–	420	14,003	14,423
<b>Balance at 31 December 2022</b>	<b>141,958</b>	<b>5,866</b>	<b>–</b>	<b>170,293</b>	<b>716,513</b>	<b>1,034,630</b>

The accompanying notes on pages 196 to 200 form an integral part of the Company financial statements.

# Notes to the Company financial statements

## A. General

The Company financial statements are part of the 2022 financial statements of S<sup>4</sup>Capital plc. S<sup>4</sup>Capital plc is a listed Company on the London Stock Exchange and has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom. S<sup>4</sup>Capital plc (the Company) is a holding company for investments active in the digital advertising and marketing services space.

## B. Basis of preparation

The Parent Company balance sheet and related notes have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Cash Flows and related Notes
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosures in respect of capital management
- the effects of new but not yet effective IFRSs
- disclosures in respect of the compensation of Key Management Personnel.

As the Group consolidated financial statements (presented on pages 134 to 193) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share-based Payment' in respect of Group settled share-based payments certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.
- No individual profit and loss account is prepared as provided by Section 408 of the Companies Act 2006.

## C. UK-adopted international accounting standards

The financial statements of S<sup>4</sup>Capital plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

## D. New and amended standards and interpretations adopted by the Company

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

### Amendments to IFRS 3 Reference to the Conceptual Framework

The Company has adopted the amendments to IFRS 3 Business Combinations. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

### **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use**

The Company has adopted the amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

### **Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The Company has adopted the amendments to IAS 37. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

### **Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle**

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle. The Annual Improvements include amendments to four standards.

### **IFRS 9 Financial Instruments**

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

### **IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements.

## **E. New and amended standards and interpretations not yet adopted**

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods.

## **F. Basis of accounting**

The Company financial statements are prepared under the historical cost convention and on a going concern basis, in accordance with the Companies Act 2006. The following paragraphs describe the main accounting policies, which have been applied consistently.

### **Estimates and judgements**

The preparation of the Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those judgements and estimates. There are no critical judgements or estimates affecting the parent company.

### **Impairment of Investment in subsidiaries**

The carrying value of the Company’s investments in subsidiaries have been disclosed in Note 1 and are assessed for impairment on an annual basis. Determining whether the carrying value has any indication of impairment requires judgement. In testing for impairment, estimates are used to determine cashflows and discount rates. The Company follows the same valuation methodologies and assumptions as the Group’s annual impairment review as described in Note 10 to the consolidated financial statements.

# Notes to the Company financial statements

## continued

### F. Basis of accounting continued

#### Foreign currencies

Profit and loss account items in foreign currencies are translated into GBP at average rates for the relevant accounting periods. Monetary assets and liabilities are translated at exchange rates prevailing at the date of the Company balance sheet. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within net finance cost. Exchange differences on all other foreign currency transactions are recognised in operating profit.

#### Taxation

The current tax payable is based on taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. The Company's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilized. This requires judgements to be made in respect of the availability of future taxable income.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and branches where the Company is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realized based on tax rates that have been enacted or substantively enacted by the reporting date.

Accruals for tax contingencies require management to make judgements of potential exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions will probably be accepted by the authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable result.

Accruals for tax contingencies are measured using either the most likely amount or the expected value amount depending on which method the Company expect to better predict the resolution of the uncertainty.

#### Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

#### Share-based payments

The issuance by the Company to employees of its subsidiaries of a grant of awards over the Company's shares, represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period, less the market cost of shares charged to subsidiaries in settlement of such share awards.

#### Litigation

Through the normal course of business, the Group is involved in legal disputes the settlement of which may involve cost to the Company. Provision is made where an adverse outcome is probable and associated costs can be estimated reliably. In other cases, appropriate descriptions are included.

#### Dividends

Up to the date of approval of these financial statements no dividends were paid by S<sup>4</sup>Capital plc to its shareowners (2021: £nil).

#### Employees

The Company had no employees during either year. Details of Directors' emoluments, which were paid by other Group companies, are set out in the Directors' Remuneration Report on pages 105 to 106.

## 1. Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

	2022 £'000	2021 £'000
<b>Balance at the beginning of the year</b>	<b>905,008</b>	<b>752,337</b>
Capital contributions	120,309	138,795
Share-based payments	14,216	13,876
<b>Balance at the end of the year</b>	<b>1,039,533</b>	<b>905,008</b>

The Company directly holds 100% ownership in S<sup>4</sup>Capital 2 Ltd. The Company indirectly holds effectively 100% of ordinary shares of the subsidiaries disclosed in Note 29 of the consolidated financial statements. The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired.

As at 31 December 2022, the market capitalisation of the Group was marginally higher than the Company's carrying value of its investment in the Group. Management has therefore performed an impairment test to determine whether recoverable amount exceeded the cost of investment recognised. The recoverable amount is assessed on a value in use basis. The value in use is calculated using a discounted cash flow methodology using financial information related to the subsidiaries including projected cashflows in conjunction with the goodwill impairment analysis performed by the Group.

## 2. Trade and other receivables

	2022 £'000	2021 £'000
Value added tax	–	467
Corporate tax	2,985	774
Amounts owed by subsidiaries	1,856	1,358
Other receivables and prepayments	1,577	1,104
<b>Total</b>	<b>6,418</b>	<b>3,703</b>

The loss allowance for receivables from subsidiaries is based on the three-stage impairment expected credit loss model. No material impairment arose.

## 3. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and cash equivalents	41	3,454
<b>Total</b>	<b>41</b>	<b>3,454</b>

## 4. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	(1,419)	(2,317)
Other payables and accruals	(3,789)	(1,096)
Value added taxes	(773)	–
Amounts owed to subsidiaries	(5,381)	–
<b>Total</b>	<b>(11,362)</b>	<b>(3,413)</b>

## Notes to the Company financial statements continued

### 5. Equity

#### A. Share capital

The authorised share capital of S<sup>4</sup>Capital plc contain an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. At the end of the reporting period, the issued and paid-up share capital of the Company consisted of 567,832,883 (2021: 555,307,572) Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

#### B. Reserves

The following describes the nature and purpose of each reserve within equity:

- Share premium Amount subscribed for share capital in excess of nominal value. The share premium is net of costs directly relating to the issuance of shares.
- Merger reserves Amount subscribed for share capital in excess of nominal value as required by merger relief.
- Other reserves Shares issued in the name of the Company to an employee benefit trust and shares issued in the name of S<sup>4</sup>Capital Group for deferred consideration.
- Retained earnings Retained earnings represents the net profit (loss) for the year and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

### 6. Related party transactions

Details of compensation for key management personnel are disclosed on pages 105 to 106. The Company did not have any other related party transactions during the financial year (2021: £nil).

### 7. Events occurring after the reporting period

Details of events occurring after the reporting period are disclosed in Note 28 of the consolidated financial statements.

## Alternative Performance Measures

The Group has included various unaudited alternative performance measures (APMs) in its Annual Report and Accounts. The Group includes these non-GAAP measures as it considers these measures to be both useful and necessary to the readers of the Annual Report and Accounts to help them more fully understand the performance and position of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies. The APMs should not be viewed in isolation and should be considered as additional supplementary information to the IFRS measures. Full reconciliations have been provided between the APMs and their closest IFRS measures.

The Group has concluded that these APMs are relevant as they represent how the Board assesses the performance of the Group and they are also closely aligned with how shareholders value the business. They provide like-for-like, year-on-year comparisons and are closely correlated with the cash inflows from operations and working capital position of the Group. They are used by the Group for internal performance analysis and the presentation of these measures facilitates comparison with other industry peers as they adjust for non-recurring factors which may materially affect IFRS measures. Adjusting items for the Group include amortisation of acquired intangibles, acquisition related expenses costs, share-based payments, employment-related acquisition costs and restructuring costs. Whilst adjusted measures exclude amortisation of intangibles, acquisition costs and restructuring costs they do include the revenue from acquisitions and the benefits of the restructuring programmes and therefore should not be considered a complete picture of the Group's financial performance, that is provided by the IFRS measures.

The adjusted measures are also used in the calculation of the adjusted earnings per share and banking covenants as per our agreements with our lenders.

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
<b>Consolidated statement of profit or loss</b>			
Controlled billings	Revenue	Includes media spend contracted directly by clients with media providers and pass-through costs (see reconciliation A1 on page 202)	It is an important measure to help understand the scale of the activities that Group has managed on behalf of its clients, in addition to the activities that are directly invoiced by the Group.
Billings	Revenue	Includes pass through costs (see reconciliation A1 on page 202)	It is an important measure to understand the activities that are directly invoiced by the Group to its clients.
Net revenue	Revenue	Excludes direct costs (see reconciliation A2 on page 202)	This is more closely aligned to the fees the Group earns for its services provided to the clients. This is a key metric used in business when looking at the Practice performance.
Operational EBITDA	Operating profit	Excludes amortisation of intangible assets, acquisition related expenses, share-based payments and PPE depreciation (see reconciliation A3 on page 202)	Operational EBITDA is operating profit before the impact of adjusting items, amortisation of intangible assets and PPE depreciation. The Group considers this to be an important measure of Group performance and is consistent with how the Group is assessed by the Board and investment community
Like-for-like	Revenue and operating profit	Is the prior year comparative, in this case 2021, restated to include acquired businesses for the same months as 2022, and restated using same FX rates as used in 2022 (see reconciliations A4 on page 203)	Like-for-like is an important measure used by the Board and investors when looking at Group performance. It provides a comparison that reflects the impact of acquisitions and changes in FX rates during the period.
Pro-forma	Revenue and operating profit	Is full year consolidated results in constant currency and for acquisitions as if the Group had existed in full for the year (see reconciliations A5 on page 203)	Pro-forma figures are used extensively by management and the investment community. It is a useful measure when looking at how the Group has changed in light of the number of acquisitions that have been completed and to understand the performance of the Group.



## Alternative Performance Measures

### continued

APM	Closest IFRS measure	Adjustments to reconcile to IFRS Measure	Reason for use
Adjusted basic earnings per share	Basic earnings per share	Excludes amortisation of intangible assets, acquisition related costs, share-based payments and restructuring expenses (see reconciliation A6 on page 204)	Adjusted basic earnings per share is used by management to understand the earnings per share of the Group after removing non-recurring items and those linked to combinations.
<b>Consolidated balance sheet</b>			
Net debt	None	See reconciliation A7 on page 205	Net debt is cash less gross bank loans (excluding transaction costs). This is a key measure used by management and in calculations for bank covenants.

	2022 £'000	2021 £'000
<b>Billings and controlled billings (A1)</b>		
<b>Revenue</b>	<b>1,069,489</b>	<b>686,601</b>
Pass-through expenses	820,988	610,249
<b>Billings<sup>1</sup></b>	<b>1,890,477</b>	<b>1,296,850</b>
Third party billings direct to clients	3,760,747	2,696,311
<b>Controlled billings<sup>2</sup></b>	<b>5,651,224</b>	<b>3,993,161</b>

**Notes:**

1. Billings are gross billings to clients including pass-through expenses.
2. Controlled billings are billings we influenced.

	2022 £'000	2021 £'000
<b>Net revenue (A2)</b>		
<b>Revenue</b>	<b>1,069,489</b>	<b>686,601</b>
Direct costs	(177,797)	(126,338)
<b>Net revenue</b>	<b>891,692</b>	<b>560,263</b>

	2022 £'000	2021 £'000
<b>Reconciliation to operational EBITDA (A3)</b>		
<b>Operating (loss) / profit</b>	<b>(135,296)</b>	<b>(42,055)</b>
Amortisation and impairment of intangible assets	78,859	39,491
Acquisition, restructuring and other expenses	155,873	83,496
Share-based payment	14,660	13,876
Depreciation of property, plant and equipment <sup>1</sup>	10,076	6,179
<b>Operational EBITDA</b>	<b>124,172</b>	<b>100,987</b>

**Note:**

1. Depreciation of property, plant and equipment is exclusive of depreciation on right-of-use assets.

**Like-for-Like (A4)**

Like-for-like revenue Year ended 31 December 2021	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>Revenue</b>	<b>513,433</b>	<b>165,646</b>	<b>7,522</b>	<b>686,601</b>
Impact of acquisitions	79,389	34,590	50,005	163,984
Impact of foreign exchange	29,454	(15,854)	(3,629)	9,971
<b>Like-for-like revenue<sup>1</sup></b>	<b>622,276</b>	<b>184,382</b>	<b>53,898</b>	<b>860,556</b>
% like-for-like revenue change	21.4%	19.6%	73.6%	24.3%

**Note:**

1. Like-for-like is a non-GAAP measure and relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022, applying currency rates as used in 2022.

Like-for-like net revenue Year ended 31 December 2021	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>Net revenue</b>	<b>385,552</b>	<b>167,079</b>	<b>7,632</b>	<b>560,263</b>
Impact of acquisitions	57,902	33,520	49,328	140,750
Impact of foreign exchange	26,252	(15,741)	(3,479)	7,032
<b>Like-for-like net revenue<sup>1</sup></b>	<b>469,706</b>	<b>184,858</b>	<b>53,481</b>	<b>708,045</b>
% like-for-like net revenue change	24.1%	17.3%	72.3%	25.9%

**Note:**

1. Like-for-like is a non-GAAP measure and relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022, applying currency rates as used in 2022.

Like-for-like operational EBITDA Year ended 31 December 2021	Total £'000
<b>Operational EBITDA</b>	<b>100,987</b>
Impact of acquisitions	39,039
Impact of foreign exchange	8,450
<b>Like-for-like operational EBITDA<sup>1</sup></b>	<b>148,476</b>
% like-for-like operational EBITDA change	-16.4%

**Note:**

1. Like-for-like is a non-GAAP measure and relates to 2021 being restated to show the unaudited numbers for the previous year of the existing and acquired businesses consolidated for the same months as in 2022, applying currency rates as used in 2022.

<b>Pro-forma (A5)</b> <b>Pro-forma revenue</b>	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>FY22 Revenue</b>	<b>755,422</b>	<b>220,498</b>	<b>93,569</b>	<b>1,069,489</b>
Impact of acquisitions	17,146	284	21,818	39,248
<b>FY22 Pro-forma revenue<sup>1</sup></b>	<b>772,568</b>	<b>220,782</b>	<b>115,387</b>	<b>1,108,737</b>
<b>FY21 Revenue</b>	<b>513,433</b>	<b>165,646</b>	<b>7,522</b>	<b>686,601</b>
Impact of acquisitions	83,287	34,590	65,758	183,635
Impact of foreign exchange	29,785	(15,854)	(2,726)	11,205
<b>FY21 Pro-forma revenue<sup>1</sup></b>	<b>626,505</b>	<b>184,382</b>	<b>70,554</b>	<b>881,441</b>
% pro-forma revenue change	23.3%	19.7%	63.5%	25.8%

**Note:**

1. Pro-forma relates to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the Group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.

## Alternative Performance Measures

### continued

	Content £'000	Data&Digital Media £'000	Technology Services £'000	Total £'000
<b>Pro-forma net revenue</b>				
<b>FY22 net revenue</b>	<b>582,713</b>	<b>216,818</b>	<b>92,161</b>	<b>891,692</b>
Impact of acquisitions	10,540	276	21,572	32,388
<b>FY22 Pro-forma net revenue<sup>1</sup></b>	<b>593,253</b>	<b>217,094</b>	<b>113,733</b>	<b>924,080</b>
<b>FY21 net revenue</b>	<b>385,552</b>	<b>167,079</b>	<b>7,632</b>	<b>560,263</b>
Impact of acquisitions	60,345	33,520	64,970	158,835
Impact of foreign exchange	26,454	(15,741)	(2,585)	8,128
<b>FY21 Pro-forma net revenue<sup>1</sup></b>	<b>472,351</b>	<b>184,858</b>	<b>70,017</b>	<b>727,226</b>
% pro-forma net revenue change	25.6%	17.4%	62.4%	27.1%

**Note:**

- Pro-forma relates to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the Group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.

	Total £'000
<b>Pro-forma operational EBITDA</b>	
<b>FY22 operational EBITDA</b>	<b>124,172</b>
Impact of acquisitions	12,083
<b>FY22 Pro-forma operational EBITDA<sup>1</sup></b>	<b>136,255</b>
<b>FY21 operational EBITDA</b>	<b>100,987</b>
Impact of acquisitions	44,712
Impact of foreign exchange	8,796
<b>FY21 Pro-forma operational EBITDA<sup>1</sup></b>	<b>154,495</b>
% pro-forma operational EBITDA change	-11.8%

**Note:**

- Pro-forma relates to unaudited full year non-statutory and non-GAAP consolidated results in constant currency as if the Group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations in the pre-acquisition period.

### Adjusted basic earnings per share (A6)

	Reported £'000	Amortisation and impairment <sup>1</sup> £'000	Acquisition expenses <sup>2</sup> £'000	Share-based payment £'000	Restructuring expenses £'000	Adjusted £'000
<b>Year ending 31 December 2022</b>						
<b>Operating (loss)/profit</b>	<b>(135,296)</b>	<b>78,859</b>	<b>150,973</b>	<b>14,660</b>	<b>4,900</b>	<b>114,096</b>
Net finance costs	(25,707)	–	–	–	–	(25,707)
Gain on the net monetary position	1,337	–	–	–	–	1,337
<b>(Loss) / profit before income tax</b>	<b>(159,666)</b>	<b>78,859</b>	<b>150,973</b>	<b>14,660</b>	<b>4,900</b>	<b>89,726</b>
Income tax expense	32	(16,714)	(64)	(2,454)	(837)	(20,037)
<b>(Loss) / profit for the year</b>	<b>(159,634)</b>	<b>62,145</b>	<b>150,909</b>	<b>12,206</b>	<b>4,063</b>	<b>69,689</b>

**Notes:**

- Amortisation and impairment relates to the intangible assets recognised as a result of the acquisitions. See Note 6.
- Acquisition expenses relate to acquisition related advisory fees of £7.9 million, bonuses of £0.4 million, contingent consideration as remuneration of £172.4 million and remeasurement gain on contingent considerations of £29.8 million.

Year ending 31 December 2021	Reported £'000	Amortisation <sup>1</sup> £'000	Acquisition and set-up related expenses <sup>2</sup> £'000	Share-based payment £'000	Restructuring expenses £'000	Adjusted £'000
<b>Operating profit</b>	(42,055)	39,491	83,496	13,876	–	<b>94,808</b>
Net finance costs	(12,251)	–	–	–	–	(12,251)
Loss on the net monetary position	(1,344)	–	–	–	–	(1,344)
<b>(Loss) / profit before income tax</b>	(55,650)	39,491	83,496	13,876	–	<b>81,213</b>
Income tax expense	(1,065)	(6,941)	(1,426)	–	–	(9,433)
<b>(Loss) / profit for the year</b>	(56,715)	32,550	82,070	13,876	–	<b>71,780</b>

**Notes:**

1. Amortisation relates to the intangible assets recognised as a result of the acquisitions. See Note 6.

2. Acquisition and set-up related expenses relate to acquisition related advisory fees of £10.5 million, bonuses of £0.8 million, contingent consideration as remuneration of £70.5 million (out of which £10.0 million is cash) and remeasurement loss on contingent considerations of £1.7 million.

<b>Adjusted basic result per share</b>	<b>2022</b>	<b>2021</b>
Adjusted profit attributable to owners of the Company (£'000)	<b>69,689</b>	71,780
Weighted average number of Ordinary Shares for the purpose of basic EPS (shares)	<b>590,667,949</b>	551,752,618
Adjusted basic earnings per share (pence)	<b>11.8</b>	13.0

**Net debt (A7)**

Net debt is cash less gross bank loans (excluding transaction costs). This is a measure used by management and in calculations for bank covenants.

<b>Net debt</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Cash and bank	<b>223,574</b>	301,021
Loans and borrowings (excluding bank overdrafts)	<b>(333,807)</b>	<b>(317,156)</b>
Bank overdrafts	<b>(16)</b>	(1,899)
<b>Net debt</b>	<b>(110,249)</b>	<b>(18,034)</b>
Lease liabilities	<b>(58,396)</b>	(41,968)
Net debt including lease liabilities	<b>(168,645)</b>	(60,002)

## Shareowner information

### Advisers and registrars

<b>Principal bankers</b>	HSBC Bank Plc
<b>Joint brokers</b>	Dowgate Capital Limited Morgan Stanley & Co Jefferies International Limited
<b>Independent auditors</b>	PricewaterhouseCoopers LLP
<b>Solicitor</b>	Travers Smith LLP
<b>Communications adviser</b>	Powerscourt Limited
<b>Registrars</b>	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX 01252 821390 enquiries@shareregistrars.uk.com
<b>Group Company Secretary</b>	Caroline Kowall
<b>ISIN</b>	GB00BFZZM640
<b>Ticker</b>	SFOR
<b>Registered office</b>	12 St James's Place London SW1A 1NX
<b>Website</b>	<a href="http://www.s4capital.com">www.s4capital.com</a>



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